

U.S. Small Business Administration

# National CAPLines Authorization Boilerplate

Version 1.5

May 5, 2003

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# Read this first!

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## ***About this document***

This document contains version 1.5 of the National CAPLines Authorization Boilerplate ("Boilerplate"). The Boilerplate contains the national standard language for all SBA CAPLines loans, including contract, seasonal, builder's, Standard Asset Based (SAB), and Small Asset Based (SMAB). It replaces all regional, state and local boilerplates and is mandatory.

The term "Boilerplate" means that this language is not to be altered. It may not be changed based on local or personal preference. Based on information received from the local SBA Processing Offices, the Boilerplate should contain language necessary to accommodate state-specific requirements. Boilerplate language may only be altered with sufficient justification and then only on a rare fact specific basis.

## ***About the "CAPLines Wizard"***

The CAPLines Wizard ("Wizard") has been automated using Microsoft Word 97 (8) because at that time SBA was using Word 97 as the agency's word processing system. This version 1.5 of the CAPLines Wizard has been designed to run in Word 97 (8), Word 2000 (9), and Word 2002 (10).

SBA upgraded to Word 2002 (10) during 2002. In the near future Version "2002" of the CAPLines Wizard, programmed in Visual Basic for Applications (VBA), will be released. It will be completely redesigned to more efficiently run in current and future versions of Word.

The Wizard is a technical tool intended to make it easier for SBA Loan Officers and lenders to create authorizations based on the Boilerplate. It is not an expert system with lots of checks and balances. The Wizard was created with the assumption that Loan Officers using it to create authorizations would choose necessary options and that those authorizations would be reviewed by counsel.

Together, the Boilerplate and the Wizard constitute the "Authorization".

Below is the list of CAPLines Wizard sections with their location in the Boilerplate:

1. For CAPLines Wizard users:	Loan Information section starts here...	1
2. For CAPLines Wizard users:	Repayment Terms section starts here...	6
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8. For CAPLines Wizard users:	Signature Block section starts here...	37

## ***Format Conventions***

All comments, references and instructions in the sections titled "Boilerplate" and "Appendix A" are located in shaded areas (gray or blue shade). All non-shaded areas in these two sections and Appendix A constitute the standardized text itself.

Text appearing in brackets [ ] must be completed, for instance:

**[Name]** - must be replaced by a name in the final authorization;

**[Amount]** - must be replaced by a \$ amount;

**[OPTION - This sentence is optional]** - Optional text - can be inserted or not;

**[SELECT - this text - OR - that text]** - User must select one of the available options;

**[SELECT - First, Second, Third, Fourth, Fifth]** - User must select one of the listed items;

**[Write Your Own]** - User can insert own text

Paragraphs will be renumbered depending on which options are selected. All other comments should be self-explanatory.

### ***What's new in this version?***

This section highlights the major differences between the Boilerplate and Wizard version 1.4 (released on October 1, 2002) and this version, version 1.5 of the Boilerplate and Wizard. Changes made to the Boilerplate and Wizard were based on statutory requirements and several recommendations from the field. This listing can also be found during operation of the Wizard in the "What's New" section of the CAPLines Wizard Help topics, which is available from the CAPLines Wizard menu.

#### **B. ONGOING SERVICING FEE**—The STAR Supplemental Terrorist Relief Loan Program Sunset as of Close of Business on January 10, 2003.

As such, the following text, formerly "Option 1—Star Loan," has been removed:

"1. Lender agrees to pay SBA an ongoing fee equal to one-quarter of one percent per year of the guaranteed portion of the outstanding balance provided:

"a. Lender has retained evidence in its files that the Borrower was adversely affected by the events of September 11, 2001, and

"b. Lender has informed SBA that this application is to be classified as a STAR loan.

"2. Lender may not charge or otherwise pass through this fee to Borrower."

What was formerly "Option 2—non-STAR Loan," is no longer an option but is standard boilerplate and reads as follows (see SBA Policy Notice 5000-829):

"1. Lender agrees to pay SBA an ongoing fee equal to one-quarter of one percent per year of the guaranteed portion of the outstanding balance.

"2. Lender may not charge or otherwise pass through this fee to Borrower."

#### **F. NOTE TERMS**

##### **Interest Rate Options for Variable Rate Loans**

Interest Rate Option 2 has been modified to include the 'SBA Optional Peg Rate' as a selection ("% Over Peg Rate") in addition to the 'prime rate' ("% Over Prime Rate") selection.

##### **Payment Term Options and Interest Rate Adjustment Options**

When the SBA Optional Peg Rate is selected, the payment term options and the interest rate adjustment period options are limited to two options, 'every calendar quarter' and 'every calendar year'.

##### **Definition of "SBA Optional Peg Rate"**

A new optional paragraph has been added as follows when the SBA Optional Peg Rate is selected:

"The "SBA Optional Peg Rate" is the 'peg' rate published by SBA in the Federal Register every calendar quarter."

## **G. USE OF PROCEEDS AND CONDITIONS FOR DISBURSEMENT**

### **Option 6**

The following paragraph, Option 6, Builder's CAPLines with Multiple Buildings, has been modified for clarity.

"17. Loan proceeds must be used solely for payment of direct expenses related to acquiring, constructing or renovating eligible individual residential or commercial buildings for resale, one building at a time."

The paragraph now reads:

"17. Loan proceeds must be used solely for payment of direct expenses related to acquiring, constructing or renovating an individual residential or commercial building for sale."

## **I. ADDITIONAL CONDITIONS**

### **3. Borrower, Guarantor and Operating Company Documents**

An additional option has been added to **3.b** after **(6) Other Funding (grant or gift)** as follows:

"(7) **Other Funding (line of credit)**--Evidence that Borrower has received access to a line of credit from [Name] in the amount of \$[Amount]."

### **NEW FEATURE(S)**

The "Convert to Word Document" item on the 7a Wizard menu has a new 'Please Wait' message and the Wizard will now remove ALL tracked changes from the new document.

A new HTML-based help file (AuthWiz.chm) has replaced the previous help file (AuthWiz.hlp). It has many additional features, including a search capability.

### ***More Information***

See **Appendix C** at the end of this document for a list of Frequently Asked Questions.

## Boilerplate

**Note for Pre-Qual** -- This Boilerplate must be changed as follows for Pre-Qual draft authorizations:

- Specify the CID Number in lieu of the SBA Loan Number in both the Loan Information box and the footer, as follows: PRE-QUAL DRAFT—CID #[Insert CID Number here]
- Insert the text [Approval Date] and [Request Date] in lieu of the Approval Date and Request Date respectively
- Replace the Lender name and address with the following statement: (Pre-Qual Draft. No lender information is available.)
- Replace the entire signature block with the following statement: PRE-QUAL Draft—DO NOT SIGN

**For CAPLines Wizard users:** All of the above is automatically done by the CAPLines Wizard when the "This is a Pre-Qual draft" option is selected on the Lender Information panel.

For CAPLines Wizard users:

Loan Information section starts here...

U.S. Small Business Administration



U.S. Small Business Administration

## AUTHORIZATION (SBA GUARANTEED LOAN FOR CAPLINES)

### SBA LOAN INFORMATION

The SBA LOAN NAME is the **first available** of this list:

1. dba of the Borrower
2. name of the Borrower

In the case of multiple Borrowers, the same rule is applied using the **first** Borrower listed by the Loan Officer.

**For CAPLines Wizard users:** The CAPLines Wizard automatically selects the SBA Loan Name based on the Borrower Information provided.

SBA Loan #	[ SBA Loan Number ]
SBA Loan Name	[ SBA Loan Name ]
Approval Date	[ Approval Date ]

## LENDER / SBA INFORMATION

CFR 120.10 - Definition of Authorization states that the Authorization is not a contract to make a loan. The Authorization is not a Loan Agreement. It is intended to provide Lender with the specific conditions which must be met for SBA to provide a guarantee of the loan Lender is making to Borrower. It is not a contract to loan money, and Borrower is not a third party beneficiary of the Authorization. SBA does not lend money to Borrower and cannot force Lender to make a loan to Borrower based on the Authorization.

Lender:

[Lender's Name]  
[Address]  
[City, State Zip]

U. S. Small Business Administration (SBA):

[SBA Office's Name]  
[Address]  
[City, State Zip]

## GENERAL LOAN INFORMATION

CFR 120.214 - Date application is received is necessary to calculate interest rate on variable rate loans.  
120.210- explains SBA guarantee percentage.

SOP 50-10(4), pg. 199-202, Subpart "B", Chapter 5, Paragraphs 4 and 5 - Guarantee percentage policy.

There are 5 CAPLines Loan Programs. Only one type of CAPLines can be done for each Loan. SOP 50-10(4), pg. 257-303, Subpart "C", Chapter 1, Paragraphs 14-20 – CAPLines Loan Policies; Paragraphs 14-15, pg. 257-265 = General CAPLines Requirements; Paragraph 16, pg. 265-270 = Seasonal CAPLines; Paragraph 17, Pg. 270-276 = Contract CAPLines; Paragraph 18, pg. 277-285 = Builder's CAPLines; Paragraph 19, Pg. 286 – 299 = Standard Asset Based CAPLines (SAB); Paragraph 20, Pg. 300-303 = Small Asset Based CAPLines (SMAB).

SBA approves, under Section 7(a) of the Small Business Act as amended, Lender's application received [REQUEST DATE], for SBA to guarantee [PERCENT GUARANTEED]% of a [REVOLVING/NONREVOLVING] CAPLines [CONTRACT, SEASONAL, BUILDER'S, SMALL ASSET BASED (SMAB), or STANDARD ASSET BASED (SAB)] loan ("Loan") in the amount of \$[LOAN AMOUNT]

**THE FOLLOWING CHOICE IS ONLY FOR CONTRACT, SEASONAL, OR BUILDER'S CAPLINES**

for a [SINGLE or MULTIPLE]

**WIZARD to select CONTRACT(S), SEASON(S), or BUILDING(S), if appropriate**

to assist:

## BORROWER INFORMATION

Borrower:

1. [Name 1] [OPTION - dba  
[DBA Name]]  
[Address]  
[City, State Zip]
2. [Name 2] [OPTION - dba  
[DBA Name]]

[Address]  
[City, State Zip]

All requirements in the Authorization which refer to Borrower also apply to any Co-Borrower.

#### **Guarantee Fee**

CFR Reference: 120.220/SOP Reference: SOP 50-10(4), pg. 173, Subpart "A", Chapter 6, Paragraph 7e and f; pg. 213-221, Subpart "B", Chapter 5, Paragraph 15.

**For CAPLines Wizard users:** The CAPLines Wizard automatically inserts the appropriate paragraph below based on the maturity period specified in F.1.

#### **A. THE GUARANTEE FEE IS \$[Amount].**

##### ***Insert the following paragraph if maturity is more than 12 months***

Lender must pay the guarantee fee within 90 days of the approval date of this Authorization. Failure to timely pay the guarantee fee will result in cancellation of the SBA guarantee. The 90-day deadline may not be extended. Lender must send the guarantee fee to the Small Business Administration, Denver, CO 80259-0001. The remittance check must show the Loan number. No part of the guarantee fee is refundable if Lender has made any disbursement. Lender may collect this fee from Borrower after initial disbursement of Loan. Borrower may use Loan proceeds to reimburse Lender for the guarantee fee.

For loans of \$150,000 or less, Lender may retain 25% of the guarantee fee but must remit the remainder to SBA.

##### ***Insert the following paragraph if maturity is 12 months or less***

Lender must have paid the guarantee fee prior to SBA signing this Authorization. No guarantee exists if Lender has not paid the guarantee fee in full. SBA will not refund the guarantee fee after the date of this Authorization except as provided in SBA Standard Operating Procedures. Payment of the guarantee fee is not contingent upon disbursement. Lender may collect this fee from Borrower upon receipt by Lender of the Authorization.

#### **ONGOING SERVICING FEE**

CFR Reference 120.220/SOP Reference: 50-10(4), pg. 222, Subpart "B", Chapter 5, Paragraph 16; SBA Procedural Notice 5000-829.

#### **B. ONGOING SERVICING FEE**

1. Lender agrees to pay SBA an ongoing fee equal to one-quarter of one percent per year of the guaranteed portion of the outstanding balance.
2. Lender may not charge or otherwise pass through this fee to Borrower.

## LENDER'S RESPONSIBILITY

CFR Reference 120.431/SOP Reference: 50-10(4), pg. 173-175, Subpart "A", Chapter 6, Paragraph 8; pg.312, Subpart "D", Chapter 1, Paragraph 10. See also SBA Form 750 Loan Guarantee Agreement.

### C. IT IS LENDER'S SOLE RESPONSIBILITY TO:

1. Close the Loan in accordance with the terms and conditions of this Authorization.
2. Obtain valid and enforceable Loan documents, including obtaining the signature or written consent of any obligor's spouse if such consent or signature is necessary to bind the marital community or create a valid lien on marital property.
3. Retain all Loan closing documents. Lender must submit these documents, along with other required documents, to SBA for review if Lender requests SBA to honor its guarantee on the Loan, or at any time SBA requests the documents for review.

## REQUIRED FORMS

### D. REQUIRED FORMS

SOP 50-10(4): pg.157, Subpart "A", Chapter 6, Paragraph 4h.- **159 required**, Paragraph 12 and 13 on fees and 159; pg. 174, Subpart "A", Chapter 6, Paragraph 8 - **Note, Guarantee and 159 required**; pg. 110, Subpart "A", Chapter 5, Paragraph 6e.(3) - **601 required**; SBA Procedural Notice 5000-511- **159 required**; pg. 319 Subpart "D", Chapter 2, Paragraph 4b. - **1050 required**, (See also SOP 50-50(4), Chapter 9, Paragraph 9 -1050 required for purchase review); pg. 581, Appendix 5, Paragraph 8 - **722, 793 and other forms required**.

**For CAPLines Wizard users:** The CAPLines Wizard automatically inserts the references to the forms as applicable.

1. Lender may use its own forms except as otherwise instructed in this Authorization. Lender must use the following SBA forms for the Loan:

SBA Form 147, Note

SBA Form CAP-1050, Lender's Semi-Annual Funds Disbursement Report

SBA Form 159, Compensation Agreement, for each representative [**MUST APPEAR for all CAPLines except Standard Asset Based (SAB)**]

SBA Form SAB-159B, Compensation Agreement for Actual Services Provided, for each representative [**MUST APPEAR for SAB CAPLines**]

SBA Form 722, Equal Opportunity Poster

SBA Form 793, Notice to New Borrowers

SBA Form 148, Guarantee [**MUST APPEAR when applicable**]

SBA Form 148L, Limited Guarantee [**MUST APPEAR when applicable**]

SBA Form 601, Agreement of Compliance [**MUST APPEAR when applicable**]



CFR 120.194/SOP 50-10(4) pg. 177-2 - 178, Subpart "A", Chapter 6, Paragraph 11.

2. Lender may use computer-generated versions of mandatory SBA Forms, as long as these versions are exact reproductions.

SBA Procedural Notice 5000-511; SOP 50-10(4), pg. 582-8, Appendix 5, Paragraph 9c - **159 required to be sent to SBA.**

**Select one and only one of the 3 following options**

**Option 1 - for Non-revolving loans**

3. Lender must submit completed SBA Forms 159 for non-PLP loans to the SBA immediately after final disbursement.

**Option 2 - for Revolving loans, except SAB CAPLines**

4. Lender must submit completed SBA Forms 159 to the SBA immediately after initial disbursement.

**Option 3 - for SAB CAPLines**

5. Lender must submit completed SBA Forms SAB-159B as instructed in SOP 50-10.

**CONTINGENCIES**

CFR 120.400, 120.441(b) and 120.451(d)/SOP 50-10(4), pg. 305, Subpart "D", Chapter 1, Paragraph 1.

- E. **CONTINGENCIES**—SBA issues this Authorization in reliance on representations in the Loan application, including supporting documents. The guarantee is contingent upon Lender:
1. Having and complying with a valid SBA Loan Guarantee Agreement (SBA Form 750 or SBA Form 750B for short-term loans) and any required supplemental guarantee agreements, between Lender and SBA;
  2. Having paid the full guarantee fee in the time and manner required by this Authorization and the SOP;
  3. Complying with the current SBA Standard Operating Procedures (SOP); including, but not limited to SOP 50-50, Appendix 28 [**For SAB CAPLines Only**] – and with the requirements for SAB CAPLines loans found in SOP 50-10(4), Subpart C, Chapter 1, and Appendix 9];

SOP 50-10(4), pg. 114, Subpart "A", Chapter 5, Paragraph 6h; pg. 213, Subpart "B", Chapter 1, Paragraph 14.

4. Making initial disbursement of the Loan no later than [**number of months - default is 6**] months from the approval date of this Authorization, and making final disbursement in time for all repayments to be concluded by Loan maturity, unless either date is extended by SBA;
5. Having no evidence since the date of the Loan application, or since any preceding disbursement, of any unremedied adverse change in the financial condition, organization, management, operation, or assets of Borrower which would warrant withholding or not making any further disbursement; and
6. Satisfying all of the conditions in this Authorization.

**F. NOTE TERMS :**

SOP 50-10(4), pg. 203-205, Subpart "B", Chapter 1, Paragraph 7; pg. 261, Subpart "C", Chapter 1, Paragraph 15j.

**Select one and only one of the 2 following options****Option 1 - for all Non-revolving loans**

1. **Maturity:** This is a non-revolving Loan. This Note will mature in [number of years and/or number of months] from [SELECT - date of Note - OR - date of initial disbursement].

**Option 2 - for all Revolving loans**

2. **Maturity:** This is a revolving Loan. The required SBA Form 147 Note is the master note. This Note will mature \_\_\_\_ months from [SELECT - date of Note - OR - date of initial disbursement]. Sub-notes, if used, will mature based on the Borrower's [AUTOMATIC SELECTION - cash cycle, seasonal cycle, contract final payment date, project completion date]. No sub-note may have a maturity date later than the Note.

For CAPLines Wizard users:

Repayment Terms section starts here...

SOP 50-10(4), pg. 212, Subpart "B", Chapter 1, Paragraph 12- General SBA Note Requirements; pg. 263, Subpart "C", Chapter 1, Paragraph 15l -- Master Notes and Subnotes.

**3. Repayment Terms :**

Lender must insert onto SBA Note, Form 147, to be executed by Borrower, the following repayment terms, without modification. Lender must complete all blank terms on the Note at time of closing:

**Select one and only one of the 2 following options****Option 1 - for all Non-revolving loans**

This is a non-revolving Loan. This Note will mature in [number of years and/or number of months] from [SELECT - date of Note - OR - date of initial disbursement].

**Option 2 - for all Revolving loans**

This is a revolving Loan. The required SBA Form 147 Note is the master note. This Note will mature \_\_\_\_ months from [SELECT - date of Note - OR - date of initial disbursement]. Sub-notes, if used, will mature based on the Borrower's [AUTOMATIC SELECTION - cash cycle, seasonal cycle, contract final payment date, project completion date]. No sub-note may have a maturity date later than the Note.

## INTEREST RATE OPTIONS

SOP 50-10(4), pg. 205-212, Subpart "B", Chapter 1, Paragraphs 8-13, interest rate rules; pg 261, Subpart "C", Chapter 1, Paragraph 15h.

**Select one and only one of the 2 following options**

### Option 1 - Fixed Rate

The interest rate is **[interest rate]**% per year.

### Option 2 - Variable Rate

The interest rate on this Note will fluctuate. The initial interest rate is **[initial interest rate]**% per year. This initial rate is the **[prime rate/SBA Optional Peg Rate]** on the date SBA received the loan application, plus **[% over [prime rate/SBA Optional Peg Rate]]**%.

**The following paragraph must appear if Loan is Revolving**

Interest rate computations are based on the average daily outstanding balance.

## PAYMENT TERM OPTIONS

**Select one and only one of the 5 following options**

### Option 1.1 - For CONTRACT CAPLines — Optional

Borrower must pay interest on the disbursed principal balance every **[SELECT - month, two months, three months, four months, five months, six months]** beginning **[Number] [SELECT - month(s), quarter(s), calendar quarter(s), ]** from the month **[SELECT (same as in F.1.) - this Note is dated - OR - of initial disbursement on this Note]**; monthly interest payments must be made on the **[SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note]** in the months they are due. Borrower must make additional payments as follows:

### Option 1.2.A - For Single CONTRACT CAPLines — Mandatory

Borrower must assign all contract proceeds to Lender. Lender will apply \_\_\_\_\_% of the contract proceeds until the outstanding loan balance is paid. Lender must pay all remaining contract proceeds to the Borrower, as long as Borrower is not in default under this Note. Lender will apply each payment first to interest accrued to the date of receipt of payment and the balance to principal.

### Option 1.2.B - For Multiple CONTRACT CAPLines — Mandatory

Borrower must assign all contract proceeds to Lender. Each contract financed by this loan must have a percentage of contract proceeds applied to the outstanding loan balance sufficient to fully repay all funds drawn on this loan for that specific contract plus accrued interest. The minimum percentage is the cost of goods sold divided by the total contract price. Lender may increase the percentage to allow for retainage by the contract obligor. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.

### **Option 2.1 - For SEASONAL CAPLines**

#### **Option 2.1.A - Interest Plus Borrowing Based Principal — Optional**

Borrower must pay interest on the disbursed principal balance every[ **SELECT** - month, two months, three months, four months, five months, six months] beginning [ **Number** ] month(s) from the month [ **AUTOMATICALLY SELECT BASED ON LOAN INFORMATION** - this Note is dated - **OR** - of initial disbursement on this Note ]; interest payments must be made on the [ **SELECT** - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ]. Borrower must make additional payments as follows:

#### **Option 2.1.B - Interest Plus Borrowing Based Principal**

Principal payments to be made upon receipt of proceeds from sale of inventory and collection of accounts. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal. At the conclusion of each season for which funds are advanced, any remaining principal and interest attributable to that season will become immediately due and payable.

### **Option 2.2 - Regular Interest Plus Seasonal Principal**

Borrower must pay interest on the disbursed principal balance every month, plus principal payments of \$[ **Amount** ] in the month(s) of [ **list of months** ] inclusive, beginning [ **Number** ] [ **SELECT** - month(s), quarter(s), calendar quarter(s) ] from the month [ **SELECT** - this Note is dated - **OR** - of initial disbursement on this Note ]; monthly interest payments must be made on the [ **SELECT** - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due; principal payments must be made on the [ **SELECT** - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due.

### **Option 2.3 – Seasonal Monthly P And I, Differing Payment Amounts**

Borrower must pay interest on the disbursed principal balance every month beginning one month from the month [ this Note is dated - **OR** - of initial disbursement on this Note ], plus principal payments of [ **\$Amount** ] in the months of [ **list of months** ] inclusive, and principal payments of [ **\$Amount** ] in the months of [ **list of months** ] inclusive. Payments must be made on the [ **SELECT** - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ].

### **Option 3 - For BUILDER'S CAPLines**

Borrower must pay interest on the disbursed principal balance every[ **SELECT** - month, two months, three months, four months, five months, six months] beginning [ **Number** ] [ **SELECT** - **one** month, two months, three months, four months, five months, six months ] from the month [ **SELECT (same as in F.1.)** - this Note is dated - **OR** - of initial disbursement on this Note ]; interest payments must be made on the [ **SELECT** - \_\_\_\_\_ calendar day, first

calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due. Borrower must make additional payments as follows:

***Option 3.A - For Single BUILDER'S CAPLines — Mandatory***

The project financed by this loan must have an amount of sale proceeds applied to the outstanding loan balance sufficient to fully repay all funds drawn on this loan. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.

***Option 3.B - For Multiple BUILDER'S CAPLines — Mandatory***

Each project financed by this loan must have an amount of sale proceeds applied to the outstanding loan balance sufficient to fully repay all funds drawn on this loan for that specific project. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.

***Option 4 - For SMAB CAPLines — Optional***

Borrower must pay interest on the disbursed principal balance every month beginning one month from the month [AUTOMATICALLY SELECT BASED ON LOAN INFORMATION - this Note is dated - OR - of initial disbursement on this Note ]; monthly interest payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ]. Borrower must make additional payments as follows:

***Option 4.B - For SMAB CAPLines — Mandatory***

[Principal p] [P]ayments to be made upon receipt of proceeds from sale of inventory and collection of accounts financed with the loan proceeds. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.

***Option 5 - For SAB CAPLines***

Borrower must pay interest on the disbursed principal balance every month beginning one month from the month [AUTOMATICALLY SELECT BASED ON LOAN INFORMATION - this Note is dated - OR - of initial disbursement on this Note ]; monthly interest payments must be made on the [SELECT - \_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ]. Borrower must make additional payments as follows:

Principal payments to be made upon receipt of proceeds from sale of inventory and collection of accounts. Lender will apply each payment first to interest accrued to the date of receipt of payment, and the balance to principal.

## **ADDITIONAL REPAYMENT TERM PROVISIONS**

### ***The following paragraphs must appear in all variable loans***

SOP 50-10(4), pg. 205-212, Subpart "B", Chapter 1, Paragraphs 8, 10 and 13. and SOP 50-10(4), pg. 261, Subpart "C", Chapter 1, Paragraph 15h.

The maximum initial rate of interest is prime plus 2.25%. Additional interest rates for smaller loans rate are applicable for CAPLines.

The "SBA Optional Peg Rate" is the rate published by SBA in the Federal Register for every calendar quarter.

The interest rate will be adjusted [**SELECT** - monthly, bimonthly, quarterly, semi-annually, annually, every calendar quarter, every calendar year, every **[number of months]** months, every **[number of years]** years] (the "change period").

[**Select**--The "Prime Rate" is the prime rate in effect on the first business day of the month in which an interest rate change occurs, as published in the Wall Street Journal on the next business day. **or** The "SBA Optional Peg Rate" is the 'peg' rate published by SBA in the Federal Register for every calendar quarter. ]

The adjusted interest rate will be [**% above the [prime rate/SBA Optional Peg Rate]**]% above the **[Prime Rate/SBA Optional Peg Rate]**. Lender will adjust the interest rate on the first calendar day of each change period. The change in interest rate is effective on that day whether or not Lender gives Borrower notice of the change. The initial interest rate must remain in effect until the first change period begins.

If SBA purchases the guaranteed portion of the unpaid principal balance, the interest rate becomes fixed at the rate in effect at the time of the earliest uncured payment default. If there is no uncured payment default, the rate becomes fixed at the rate in effect at the time of purchase.

### ***The 2 following paragraphs must always appear***

SOP 50-10(4), pg. 203, Subpart "B", Chapter 1, Paragraph 7.

All remaining principal and accrued interest is due and payable [**Maturity period - same as in F.1.**] from [**SELECT - Same as in F.1** - date of Note - **OR** - date of initial disbursement].

Lender will have no obligation to advance funds under this Note if Lender determines: (a) there is any default as defined in this Note; (b) there has been an unremedied adverse change in the financial condition, organization, management, operation, or assets of Borrower which would warrant withholding or not making any further disbursement; (c) Borrower has used Loan funds for unauthorized purposes; or (d) Borrower has not complied with Lender's conditions for disbursement or other agreements.

### ***The following extraordinary servicing fee provision is optional***

Lenders do not have to charge an extraordinary servicing fee. If a fee will be charged, Option 1 is for Contract, Seasonal, Builder's and SMAB Loans. For these Loans the servicing fee may not exceed 2%. Option 2 is for SAB Loans. The servicing fee for these loans must be reasonable, based on the amount of actual extra servicing required by the Loan, and consistent with the fees

charged non-SBA Borrowers for similar services. SOP 50-10(4), Subpart "C", Chapter 1, pg. 259, Paragraph 15d.; Paragraph 19t., pg. 297; Paragraph 20e.(6)

**Option 1 – for all CAPLines except SAB**

Lender may charge an extraordinary servicing fee of **[Percent]**% per year of the outstanding loan balance. This fee may be charged monthly and will be computed by multiplying **[(Above Percent divided by 100)/12 – computed by computer]** by either the average daily or monthly outstanding balance for each month.

**Option 2 - for SAB Loans Only**

Lender may charge additional extraordinary servicing fees.

**The following state interest rate reduction provision is optional**

In the event that Borrower qualifies for the **[Name of program, such as LIFT Focused Small Business Program]**, Lender may accept a lower interest rate and resulting lower payments. If Borrower no longer qualifies for the **[Name of program – same as above]** or is in default under the terms of this Note, then the interest rate and payment will revert to the interest rate and payment specified above.

**Repayment terms - Open Options  
(Can be used to insert additional repayment terms as needed)**

**STATE SPECIFIC LANGUAGE**

**For CAPLines Wizard users:** The CAPLines Wizard automatically inserts the following options as appropriate.

**The following must appear when lien is on residential property located in California**

4. Lender must include in the Note the following language for residential property located in California:

*"Borrower acknowledges this Note is secured by a Deed of Trust in favor of Lender on real property located in \_\_\_\_\_ County, State of California. That Deed of Trust contains the following due-on-sale provision:..."* (Lender must add to the Note the due on sale clause exactly as it appears in the Deed of Trust.)

**The following must appear if any borrower is resident of Alaska**

5. The following language must appear in the Note above the borrower's signature :

*"The Mortgagor or Trustor (Borrower) is personally obligated and fully liable for the amount due under the Note. The Mortgagee or Beneficiary (Lender) has the right to sue on the Note and obtain a personal judgment against the Mortgagor or Trustor for the satisfaction of the amount due under the Note either before or after a judicial foreclosure of the Mortgage or Deed of Trust as under AS 09.45.170-09.45.220."*

***The following must appear if any borrower is resident of Wisconsin***

6. Lender must include in the Note the following language:

*“Each Borrower who is married represents that this obligation is incurred in the interest of his or her marriage or family.”*

***The following must appear if any borrower is resident of Maryland***

7. Lender must include valid confession of judgment clauses in the Note for borrower(s) resident in Maryland.

***The following must appear if any borrower is resident of Virginia***

8. Lender must include valid confession of judgment clauses in the Note for borrower(s) resident in Virginia.

***The following must appear if any borrower is resident of Pennsylvania***

9. Lender, at its option, may include confession of judgment clauses in the Note for borrower(s) resident in Pennsylvania.

***The following must appear if any borrower is resident of Delaware***

10. Lender, at its option, may include confession of judgment clauses in the Note for borrower(s) resident in Delaware.

***The following must appear if any borrower is resident of Ohio***

11. Lender, at its option, may include confession of judgment clauses (cognitive judgment provisions) in the Note for borrower(s) resident in Ohio.

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For CAPLines Wizard users:

Use of Proceeds section starts here...

**G. USE OF PROCEEDS AND CONDITIONS FOR DISBURSEMENT**

SOP 50-10(4), pg. 51 - 60-3, Subpart “A”, Chapter 2, Paragraphs 10-13, General SBA rules on use of proceeds.

***The following paragraph must appear when refinancing an existing debt in All CAPLines***

1. The initial disbursement must be used to refinance an existing **[Debt Instrument]** payable to **[Name of Lender]** in the amount of **[\$Amount]**. - OR - The initial disbursement must be used to refinance existing: (a) **[Debt Instrument]** payable to **[Name of Lender]** in the amount of **[\$Amount]**, and (b) **[Debt Instrument]** payable to **[Name of Lender]** in the amount of **[\$Amount]**. Etc. - OR - **[Write your own.]**



**INSERT ONE AND ONLY ONE OF THE FOLLOWING  
7 Options (PROJECT COLLATERAL)**

**Option 1 - for CONTRACT CAPLines  
with SINGLE contract**

For U.S. Government contract, specify Federal Contract Number; for all other contract, insert description and/or date.

2. Loan proceeds must be used for payment of labor and materials [**option:** (specified below)] directly associated with Borrower performing the contract with [**name of other party to contract**] [**link to 2(c)**] in the approximate amount of \$[**Contract amount**], [**SELECT** - federal contract number [**contract number**] - OR - [**SELECT** - described as [**Description of contract**] - AND/OR - dated [**Date of Contract**]]].

[**option: list items**]

a. **Item** **\$Amount**

3. Prior to initial disbursement, Lender must:
- a. Obtain copy of the executed contract.
  - b. Obtain copy of the executed assignment of the contract proceeds.
  - c. Obtain written acknowledgement of this assignment from [**name of person paying on the contract - same as above**].
  - d. Perfect all liens and verify that the required lien positions have been obtained.
  - e. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.

**Option 2 - for CONTRACT CAPLines  
with MULTIPLE contracts**

**Mandatory**

4. Loan proceeds must be used for payment of labor and materials directly associated with Borrower performing eligible contracts.

**Optional**

Paragraph 5. below is to be used only if there is a specific, identifiable first contract, the Loan Officer can describe. If first contract is a U.S. Government contract, specify Federal Contract Number; otherwise insert a description and/or date for the contract. If there isn't a specific identifiable contract, then the Loan officer should NOT select Paragraph 5.

5. Loan proceeds must initially be used for payment of labor and materials [**option:** (specified below)] directly associated with Borrower performing the contract with [**name of other party to contract**] in the approximate amount of \$[**Contract amount**], [**SELECT** - federal contract number [**contract number**] - OR - [**SELECT** - described as [**Description of contract**] - AND/OR - dated [**Date of Contract**] ] ].

a.	Item	\$Amount
----	------	----------

6. Prior to initial disbursement on each contract, Lender must:
  - a. Obtain copy of the executed contract.
  - b. Obtain copy of the executed assignment of the contract proceeds.
  - c. Obtain written acknowledgement of this assignment from the procuring authority.
  - d. Perfect all liens and verify that the required lien positions have been obtained.
  - e. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
  - f. Obtain month to month cash-flow projections covering the contract term to determine appropriate disbursement and repayment timeframe.
  - g. Establish the percentage of each contract payment to be applied to the outstanding balance.

7. Loan proceeds must be used for payment of labor and materials **[option: (specified below)]** directly related to Borrower financing seasonal increases in sales activity.

a.	Item	\$Amount
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8. Prior to initial disbursement, Lender must:
  - a. Perfect all liens and verify that the required lien positions have been obtained.
  - b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
9. Prior to any disbursement, Lender must obtain and reconcile current monthly borrowing base certificate.

10. Loan proceeds must be used for payment of labor and materials **[option:** (specified below)] directly related to Borrower financing seasonal increases in sales activity.

a.	Item	\$Amount
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11. Prior to initial disbursement on the Master Note, Lender must:
  - a. Perfect all liens and verify that the required lien positions have been obtained.

- b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
- 12. Prior to any disbursement, Lender must obtain and reconcile current monthly borrowing base certificate.
- 13. Additionally, prior to each season's initial disbursement, Lender must:
  - a. Verify that the required lien positions are in place.
  - b. Obtain evidence that Borrower is current on all Federal and State payroll taxes.
  - c. Obtain monthly cash-flow projection for the season to determine appropriate disbursement and repayment timeframe.

***Option 5 - for BUILDER'S CAPLines  
with SINGLE buildings***

- 14. Loan proceeds must be used solely for payment of direct expenses related to **[Select 1 or more as applicable - acquiring, constructing, renovating]** the individual **[Select - residential - or - commercial]** building **[SELECT -, described as [Description] - OR/AND - , located at [Location] ]**, for resale.
  - a. Borrower may use no more than 5% of the Loan proceeds disbursed for any project for site improvements to any common area (curb, sidewalk, common landscaping) of the renovated or constructed project.
  - b. Borrower may use no more than 20% of the Loan proceeds disbursed for any project for land acquisition, including refinancing.
- 15. Prior to initial disbursement, Lender must:
  - a. Perfect all liens and verify that the required lien positions have been obtained.
  - b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
- 16. During the course of construction and prior to final disbursement, Lender must make interim and final inspections to determine that construction conforms to the plans and specs and to obtain lien waivers and releases at appropriate times from all materialmen, contractors, and subcontractors receiving Loan funds or involved in the construction.

***Option 6 - for BUILDER'S CAPLines  
with MULTIPLE buildings***

- 17. Loan proceeds must be used solely for payment of direct expenses related to acquiring, constructing or renovating an individual residential or commercial building for sale.
  - a. Borrower may use no more than 5% of the Loan proceeds disbursed for any project for site improvements to any common area (curb, sidewalk, common landscaping) of the renovated or constructed project.
  - b. Borrower may use no more than 20% of the Loan proceeds disbursed for any project for land acquisition, including refinancing.
- 18. Loan proceeds must initially be used solely for payment of direct expenses related to **[Select 1 or more as applicable - acquiring, constructing, renovating]** the individual

[Select - residential - or - commercial] building [SELECT - , described as [Description] - OR/AND - , located at [Location] ], for resale.

19. Prior to initial disbursement, Lender must:
  - a. Perfect all liens and verify that the required lien positions have been obtained.
  - b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
20. During the course of construction and prior to final disbursement, Lender must make interim and final inspections to determine that construction conforms to the plans and specs and to obtain lien waivers and releases at appropriate times from all materialmen, contractors, and subcontractors receiving Loan funds or involved in the construction.

**Option 7 - for SAB and SMAB CAPLines**

21. To be used for payment of short term working capital/operating needs associated with the Borrower's operation.
22. Loan proceeds may be disbursed up to the lesser of \$[Loan Amount] or [SELECT one of the following -  
- EITHER -  
[Percent]% of eligible [OPTION - Domestic ] Accounts Receivable less than [  
- 90 is the default] days old,  
- OR -  
[Percent]% of eligible Inventory,  
- OR -  
the sum of [Percent]% of eligible [OPTION - Domestic ] Accounts Receivable less than [Default is 90] days old plus [Percent]% of eligible Inventory],  
with the exception that no disbursements can be made (without SBA prior approval) after the commencement of one cash cycle prior to maturity.
23. Prior to initial disbursement, Lender must:
  - a. Perfect all liens and verify that the required lien positions have been obtained.
  - b. Obtain evidence that Borrower is current on all Federal and State taxes, including but not limited to income taxes, payroll taxes, and sales taxes.
24. Prior to any disbursement, Lender must:
  - a. [STANDARD ASSET BASED ONLY] Comply with the disbursement requirements in SOP 50-10(4), Subpart C, Chapter 1, Paragraph 19 and Appendix 9.
  - b. [SMALL ASSET BASED ONLY] Comply with the disbursement requirements in SOP 50-10(4), Subpart C, Chapter 1, Paragraph 20.

**The following paragraphs must appear in all CAPLines**

25. Lender must submit a completed SBA Form CAP-1050 semi-annually. This form is to be submitted on April 30th and October 31st during the term of the loan to the SBA office servicing the loan.

26. The outstanding principal balance of this loan must never exceed \$[Loan Amount][linked to first instance].
27. Lender must document that Borrower used the loan proceeds only for the specific purposes stated in this Authorization, and retain the documentation within its file.
28. Lender must verify that Borrower has made appropriate withholding tax deposits on advances for payroll.
29. No loan proceeds can be used to pay delinquent withholding taxes or other similar trust funds (state sales tax, etc.), to acquire fixed assets, or for floor planning.
30. Providing Lender and Borrower remain in compliance with the terms and conditions of this Authorization, Lender is authorized to make advances without additional SBA approval.
31. Loan proceeds may be used to reimburse Lender for payment of the guarantee fee only in the Seasonal, Small Asset Based (SMAB), and Standard Asset Based (SAB) subprograms. Lender may not disburse loan proceeds solely for this purpose.
32. Lender must conduct an annual review of the Borrower's financial condition and credit status, on either the anniversary date of initial disbursement or upon receipt of annual financial statements.

For CAPLines Wizard users:

Project Collateral section starts here...

## H. COLLATERAL CONDITIONS

Lender must obtain a lien on 100% of the interests in the following collateral and properly perfect all lien positions:

### ***SELECT one of the following 5 Options for Project Collateral***

Contract specified below in Options 1 or 2 must be identical to contract described in G.1.

#### ***Option 1 – for CONTRACT CAPLines with a SINGLE U.S Government Contract***

1. **U.S. Government Contract Assignment and Notice of Assignment:** Assignment of monies due or to become due under federal contract number [Contract number] with the [Name of other party to contract] in the amount \$[Contract amount] and any subsequent modifications or additions. Lender must perfect the assignment pursuant to Federal Acquisition Regulations (FAR).

#### ***Option 2 - for all other CONTRACT CAPLines with a SINGLE non-US Government Contract***

2. **Contract Assignment:** A valid assignment and first security interest covering all proceeds under contract dated [date of contract] between Borrower [name of other party to contract] in the approximate amount of \$[Contract amount], [SELECT - described as [Description of contract] - AND/OR - dated [Date of Contract] ].

**Option 3 – for CONTRACT CAPLines  
with MULTIPLE Contracts**

If the first contract is specific and identifiable, select Paragraph 3 below. The contract description in Paragraph 3 below should match the description in Section G, Paragraph 5. If the first contract is not specific and identifiable, select Paragraph 4 below.

3. **Contract Assignment:** A valid assignment and first security interest covering all proceeds from all of Borrower's contracts financed with the proceeds of the Loan including the contract between Borrower and **[name of other party to contract]** in the approximate amount of **[\$[Contract amount], [SELECT - federal contract number [contract number] - OR - [SELECT - described as [Description of contract] - AND/OR - dated [Date of Contract] ]**. Lender must perfect the assignment of federal government contracts as required by the Federal Acquisition Regulations (FAR).
4. **Contract Assignment:** A valid assignment and first security interest covering all proceeds from all of Borrower's contracts financed with the proceeds of this Loan. Lender must perfect the assignment of federal government contracts as required by the Federal Acquisition Regulations (FAR).
5. If any contract(s) assigned to Lender are also covered by a payment or performance bond, then the surety issuing the bond will have the right to receive all proceeds due under the contract, up to the amount of their costs, if the surety has stepped in to complete the contract by performance or payment. Lender will have the right to receive all proceeds or payments which are not due to the surety company.

**Option 4- BUILDER'S CAPLines**

Property specified below must be identical to property specified in G.13 (for single building) or G.17 (for multiple buildings).

6. **[SELECT - First - OR - Second] [SELECT - Deed of Trust, Mortgage or other state specific instrument]** (including due on sale clause **[OPTION - and water rights] [OPTION - and assignment of rents ]**) on land and improvements located at **[address of property]**. This property is **[SELECT - residential - OR - commercial - OR - agricultural]**.

***The following must appear if first lien position.***

- a. subject to no other liens.

***The following must appear if second lien position.***

- b. subject only to a prior lien by **[name of lienholder] [SELECT - in the amount of \$[Amount] - OR - in the present amount of \$[Amount] , with a revolving provision limited to a total principal outstanding of \$[Amount] ]**.
- c. Any prior lienholder must provide a "release clause" for transfer of clear title to the purchaser of this property upon payment of a predetermined fixed amount which, together with the amount advanced under this loan, does not exceed 80% of the anticipated selling price.

***Selections from the following list always appear  
for BUILDER'S CAPLines Loans.***

These paragraphs must appear only for all Builder's CAPLines. They are not required for the other programs. Note: The wizard will automatically select from options d.-l. depending on the state where project collateral is located. – **Refer to Appendices A and B for a list of options per state.**

- d. Any prior lien that is open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line of credit set out above, if any, must be limited in writing to the amount stated.
- e. Lender must obtain a written agreement from prior lienholder to provide Lender with reasonable written notice before commencing foreclosure of prior lien.
- f. Lender to file a Request for Notice pursuant to state law.
- g. Written waiver of homestead required.
- h. Statement of non-homestead required.
- i. Written Designation of Business Homestead required.
- j. Lender must obtain from prior lienholder written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.
- k. Written waiver of redemption rights is required on non-residential property.
- l. Survey, certified to lender, is required, or prior survey and affidavit of no change acceptable to lender.

***The following Evidence of Title section must always  
appear for BUILDER'S CAPLines***

- m. Evidence of title and priority of lien must be based upon:

**Insert only 1 of the 3 following options**

**Use option (1) in all states except (3) in Iowa, (1) or (2) in North Dakota, and (2) in Texas**

- (1) ALTA Loan Policy for the maximum insurable value, insuring lender and assigns, policy to be extended ALTA,  
**OPTION** – Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing. ]
- (2) Mortgagee's Title Policy for the maximum insurable value, insuring lender and assigns. Such policy must contain no exceptions for parties in possession, mechanic's or materialman's liens, or matters which would be disclosed by an accurate survey.  
[ **OPTION** – Policy to be without standard survey exception,]  
[ **OPTION** – Policy to be without exception to Homestead, Survey or Taxes,]  
[ **OPTION** – Policy must reflect that all taxes and municipal liens have been brought current or paid. ]
- (3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.  
[ **OPTION** – Certificate or opinion will not contain a survey exception. ]

***The following must appear in all  
BUILDER'S CAPLines with MULTIPLE Buildings***

Building specified below must be identical to building specified in G.17

*Note:* Some of the requirements in this collateral condition will vary according to the state in which the real property is located. Refer to Appendices A and B for more information.

7. For each subsequent piece of real property to be purchased or improved with the proceeds of this loan, Lender must obtain a Deed of Trust, Mortgage, or other state-specific instrument, as appropriate under state law (including due on sale clause and assignment of rents, and, if appropriate, water rights) on land and improvements.
- a. Lien must be a first lien or second lien subject only to Deed of Trust, Mortgage, or other state-specific instrument, as appropriate under state law, for financing the purchase of the property.
  - b. Any prior lienholder must provide a "release clause" for transfer of clear title to the purchaser of this property upon payment of a predetermined fixed amount which, together with the amount advanced under this loan, does not exceed 80% of the anticipated selling price.
  - c. Evidence of title and priority of lien must be based upon the first of the following items available in the state in which the real property is located:
    - (1) ALTA Loan Policy for the maximum insurable value, insuring lender and assigns, policy to be extended ALTA.
    - (2) Mortgagee's Title Policy for the maximum insurable value, insuring lender and assigns. Such policy must contain no exceptions for parties in possession, mechanic's or materialman's liens, or matters which would be disclosed by an accurate survey.
    - (3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position. Certificate or opinion will not contain a survey exception.
  - d. Lender is responsible for applying the collateral requirements that are appropriate to the state in which the property is located. The requirements listed below are contained in Appendix B of the Authorization Boilerplate as "Boilerplate Options." Appendix B of the Authorization Boilerplate lists which of the above options are required in each state. Possible Boilerplate Options are (Note: there is no Option 1):
    - Option 2: Any prior lien that is open-ended as to future advances must be closed, in writing, according to applicable state law. The revolving line of credit set out above, if any, must be limited in writing to the amount stated.
    - Option 3: Lender must obtain a written agreement from prior lienholder to provide Lender with reasonable written notice before commencing foreclosure of prior lien.
    - Option 4: Lender to file a Request for Notice pursuant to state law.
    - Option 5: Written waiver of homestead required on residential property.
    - Option 6: Lender must obtain from prior lienholder written verification (a) of amount owing on prior obligation, (b) that Borrower is current on payments, and (c) that Borrower is not otherwise in default.



Option 7: Written waiver of redemption rights is required on non-residential property.

Option 8: Survey, certified to lender, is required, or prior survey and affidavit of no change acceptable to lender.

Option 9: Written Designation of Business Homestead required.

Option 10: Statement of non-homestead required.

**Option 5- for all SEASONAL, SMAB and SAB CAPLines**

8. First perfected security interest in accounts [ **SELECT** - and inventory ].

**The following a. and b. must always appear**

- a. Lender must obtain an appropriate Uniform Commercial Code lien search evidencing all required lien positions. If UCC search is not available, another type of lien search may be substituted.
- b. If any collateral is located on leased premises, Lender must obtain a written agreement from all lessors (including sublessors) agreeing to: (1) subordinate to Lender Lessor's interest, if any, in this property; (2) provide Lender with written notice of default and a reasonable opportunity to cure the default; and (3) allow the Lender the right to take possession and dispose of, or remove, the collateral.

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For CAPLines Wizard users:

Collateral Conditions section starts here...

**Create as many additional collateral conditions as needed.**

**IMPORTANT - READ THIS FIRST!**

This document offers an extensive choice of standard additional Collateral Conditions.

**Refer to Appendix A for the full boilerplate text of these Collateral Conditions.**

You can also write your own collateral conditions if the standard list does not offer the appropriate option.

- 9. [Insert first additional Collateral Condition here]
- 10. [Insert second additional Collateral Condition here]
- 11. [Etc. - Insert as many additional Collateral Conditions as needed]

**The following paragraphs must always appear**

**13 CFR 101.106, Federal Law application to SBA programs and activities.**

The following language must appear in all lien instruments including Mortgages, Deeds of Trust, and Security Agreements:

*"The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:*

- a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.*
- b) Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.*

*Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument."*

**For CAPLines Wizard users:** the following paragraphs are automatically inserted by the CAPLines Wizard as appropriate.

**The following paragraphs must appear if any Borrower or  
any real estate is located in California**

**California Mandatory Provision** - The following language must appear in all guarantees if any borrower or any real estate is located in California :

*"Guarantor waives its rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to the guarantor by reason of California Civil Code Sections 2787 to 2855, inclusive.*

*Guarantor waives all rights and defenses that the guarantor may have because the debtor's debt is secured by real property. This means, among other things:*

- 1. The creditor may collect from the guarantor without first foreclosing on the real or personal property collateral pledged by the debtor.*
- 2. If the creditor forecloses on any real property collateral pledged by the debtor:*
  - a) The amount of the debt may be reduced by only the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.*
  - b) The creditor may collect from the guarantor even if the creditor, by foreclosing on the real property collateral, has destroyed any right the guarantor may have to collect from the debtor.*

*This is an unconditional and irrevocable waiver of any rights and defenses the guarantor may have because the debtor's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure.*

*Guarantor waives all rights and defenses arising out of an election of remedies by the creditor, even though that election of remedies, such as nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the guarantor's rights of subrogation and reimbursement against the principal by operation of Section 580d of the Code of Civil Procedure or otherwise."*

If Guarantee is secured by Deed of Trust on residential property in California, Lender must also include in the guarantee the following language:

*"Guarantor acknowledges that this Guarantee is secured by a Deed of Trust in favor of Lender On real property located in \_\_\_\_\_ County, California. That Deed of Trust contains the following due-on-sale provision:..."* (Lender must add to the Guarantee the due on sale clause exactly as it appears in the Deed of Trust.)

***The following paragraphs must appear if a guarantee is to be signed by a resident of Arizona***

**Arizona Mandatory Provision** - The following language must appear in all guarantees (SBA Form 148) signed by Arizona residents:

*"The undersigned waives any rights it may have pursuant to ARS Section 12-1641 et seq., and agrees pursuant to ARS Section 33-814 that the obligations of the undersigned may be enforced regardless of whether or not any Trustee's sale of security for this debt is held."*

***The following paragraphs must appear if a guarantee is to be signed by a resident of Wisconsin***

**Wisconsin Mandatory Provision** - The following language must appear in all guarantees (SBA Form 148) signed by Wisconsin residents:

*'Each Guarantor who is married represents that this obligation is incurred in the interest of his or her marriage or family.'*

***The following paragraph will appear if a guarantee is to be signed by a resident of Maryland***

**Maryland Mandatory Provision** - Lender must include valid confession of judgment clauses in guarantees signed by Maryland residents.

***The following paragraph will appear if a guarantee is to be signed by a resident of Virginia***

**Virginia Mandatory Provision** - Lender must include valid confession of judgment clauses in guarantees signed by Virginia residents.

**I. ADDITIONAL CONDITIONS****INSURANCE REQUIREMENTS (MANDATORY)****1. Insurance Requirements*****If Insurance Required (OPTIONAL)***

Prior to disbursement, Lender must require Borrower to obtain the following insurance coverage and maintain this coverage for the life of Loan:

***If No Insurance Required (OPTIONAL)***

No insurance is required.

***Flood Insurance (OPTIONAL)***

SOP50-10(4), pg.106-109, Subpart "A", Chapter 5, Paragraph 6b - SBA Flood Insurance Requirements. Note: SBA will require flood insurance on content when real estate where the personal property is located is not collateral for the loan but is in a flood zone.

- a. **Flood Insurance.** If FEMA Form 81-93 reveals that any portion of the collateral is located in a special flood hazard zone, Lender must require Borrower to obtain Federal flood insurance, or other appropriate special hazard insurance, in amounts equal to the lesser of the insurable value of the property or the maximum limit of coverage available. Insurance coverage must contain a MORTGAGEE CLAUSE/LENDER'S LOSS PAYABLE CLAUSE (or substantial equivalent) in favor of Lender. (Borrower will be ineligible for any future SBA disaster assistance or business loan assistance if Borrower does not maintain any required flood insurance for the entire term of the Loan.)

***Real Estate Hazard Insurance (OPTIONAL)***

SOP 50-10(4), pg. 105, Subpart "A", Chapter 5, Paragraph 4 - SBA Policy on Hazard Insurance.

- b. **Real Estate Hazard Insurance** coverage on all [**OPTION** - business] real estate that is collateral for the Loan in the amount of the full replacement cost. If full replacement cost insurance is not available, coverage should be for maximum insurable value. Insurance coverage must contain a MORTGAGEE CLAUSE (or substantial equivalent) in favor of Lender. This clause must provide that any act or neglect of the mortgagor or owner of the insured property will not invalidate the interest of Lender. The policy or endorsements must provide for at least 10 days prior written notice to Lender of policy cancellation.

***Personal Property Hazard Insurance (OPTIONAL)***

SOP 50-10(4), pg. 105, Subpart "A", Chapter 5, Paragraph 4 - SBA Policy on Hazard Insurance.

- c. **Personal Property Hazard Insurance** coverage on all equipment, fixtures or inventory that is collateral for the Loan, in the amount of full replacement costs. If full replacement cost insurance is not available, coverage should be for maximum insurable value. Insurance coverage must contain a LENDER'S LOSS PAYABLE CLAUSE in favor of Lender. This clause must provide that any act or neglect of the debtor or owner of the insured

property will not invalidate the interest of Lender. The policy or endorsements must provide for at least 10 days prior written notice to Lender of policy cancellation.

#### ***Full Marine Insurance (OPTIONAL)***

- d. **Full Marine Insurance** coverage in the amount of the full insurable value on the following vessel(s) : **[List of insured Vessels]**; with Lender designated as "Mortgagee". The policy must contain a Mortgagee clause providing that the interest of Lender will not be invalidated by any: (1) act, omission, or negligence of the mortgagor, owner, master, agent or crew of the insured vessel; (2) failure to comply with any warranty or condition out of mortgagee's control; or (3) change in title, ownership or management of the vessel. The policy must include Protection and Indemnity, Breach of Warranty, and Pollution coverage. The policy or endorsements must provide for at least 10 days prior written notice to Lender of policy cancellation.

#### ***Life Insurance (OPTIONAL)***

SOP 50-10(4), pg. 94, Subpart "A", Chapter 4, Paragraph 1h.(10) - SBA Life and Disability Insurance Requirements. See also pg.113-114, Subpart "A", Chapter 6, Paragraph 6g.

- e. **Life Insurance**, satisfactory to Lender:
- (1) on the life of **[Name of Individual]** in the amount of **[\$[Amount]]**.
  - (2) on the life of **[Name of Individual]** in the amount of **[\$[Amount]]**.
  - (3) **[add more if needed]**
- Lender must obtain a collateral assignment of each policy with Lender as assignee. Lender must also obtain acknowledgment of the assignment by the Home Office of the Insurer.

#### ***Liability Insurance (OPTIONAL)***

- f. **Liability Insurance** in an amount and with an insurance company satisfactory to Lender.

#### ***Product Liability Insurance (OPTIONAL)***

- g. **Product Liability Insurance** in an amount and with an insurance company satisfactory to Lender.

#### ***Dram Shop/Host Liquor Liability Insurance (OPTIONAL)***

- h. **Dram Shop/Host Liquor Liability Insurance** in an amount and with an insurance company satisfactory to Lender.

#### ***Malpractice Insurance (OPTIONAL)***

- i. **Malpractice Insurance** in an amount and with an insurance company satisfactory to Lender.

### ***Disability Insurance (OPTIONAL)***

SOP 50-10(4), pg. 94, Subpart "A", Chapter 4, Paragraph 1h.(10) - SBA Life and Disability Insurance Requirements See also pg.113-114, Subpart "A", Chapter 6, Paragraph 6g.

- j. **Disability Insurance** covering [**Names of Individuals**] in an amount and with an insurance company satisfactory to Lender.

### ***Workers' Compensation Insurance (OPTIONAL)***

- k. **Workers' Compensation Insurance** in an amount meeting state law requirements and with an insurance company satisfactory to Lender.

### ***State Specific Insurance (OPTIONAL)***

- l. [**SELECT or Write your own - State Specific insurance requirement, such as** Florida Petroleum Liability Insurance (FLIRP)]

**Insurance Requirements - Open Options**  
(Can be used to add other Insurance Requirements as needed)

## ***ENVIRONMENTAL REQUIREMENTS (OPTIONAL)***

This option should be used if the loan is secured by real property collateral.  
SOP 50-10(4), pg. 115 - 128-2, Subpart "A", Chapter 5, Paragraph 7 - SBA Environmental Policy  
All references to SOP 50-10(4) include successor SOP provisions.

## **2. Environmental Requirements**

***Select one and only one of the 2 following options***

### ***Option 1 - Select if Loan is over \$25,000***

- a. Lender may not disburse the Loan until it has:
- (1) Completed the review for potential environmental contamination required in SOP 50 10(4) ("Environmental Investigation") on each business real property site that is:
    - (a) acquired or improved with proceeds from Loan, or
    - (b) taken as collateral if the site represents over 50% of the value of all collateral securing the Loan; and
  - (2) Sufficiently minimized the risk from any adverse environmental findings discovered in the Environmental Investigation, or otherwise, as required by SOP 50 10(4), Subpart A, Chapter 5, Paragraph 7 (Environmental Conditions).

### ***Option 1a - Select if Environmental Impact Study results were submitted with application***

- b. Lender must submit the results of the Environmental Investigation to the SBA field office for SBA approval prior to disbursement. If Lender or SBA determines from the Environmental Investigation that there is potential environmental contamination, Lender may not disburse the Loan until SBA is satisfied that the risk has been sufficiently minimized. Adverse environmental findings may lead to cancellation of the SBA guarantee.

- c. Lender should consult with the local SBA office where the real property is located to ascertain any state or local environmental requirements.

***Option 2 -Select if Loan is \$25,000 or less***

- d. Lender may disburse the Loan without an Environmental Investigation under SOP 50-10(4) if:
  - (1) Borrower certifies in writing that Borrower has no knowledge of any past or present contamination at the site; and,
  - (2) Lender has no information to the contrary.
- e. Lender should consult with the local SBA office where the real property is located to ascertain any state or local environmental requirements.

**Environmental Requirements - Open Options  
(Can be used to create Environmental Requirements as needed)**

NOTE : If the Environmental Investigation submitted with the application reveals risks of environmental contamination, and there is a reasonable expectation that any environmental issue can be resolved under the guidelines of SOP 50-10(4), the Loan Officer, in consultation with counsel, should use this section to add Authorization conditions based on the SOP guidelines.

***BORROWER AND GUARANTOR DOCUMENTS (MANDATORY)***

**3. Borrower and Guarantor Documents**

***The following paragraphs must always appear***

- a. Prior to closing, Lender must obtain from Borrower and Guarantor a current copy of each of the following as appropriate:
  - (1) **Corporate Documents** — Articles or Certificate of Incorporation (with amendments), any By-laws, Certificate of Good Standing (or equivalent), Corporate Borrowing Resolution, and, if a foreign corporation, current authority to do business within this state.
  - (2) **Limited Liability Company (LLC) Documents** — Articles of Organization (with amendments), Fact Statement or Certificate of Existence, Operating Agreement, Borrowing Resolution, and evidence of registration with the appropriate authority.
  - (3) **General Partnership Documents** — Partnership Agreement, Certificate as to Partners, and Certificate of Partnership or Good Standing (or equivalent), as applicable.
  - (4) **Limited Partnership Documents** — Partnership Agreement, Certificate as to Partners, and Certificate of Partnership or Good Standing (or equivalent), as applicable, Certificate of Limited Partnership, and evidence of registration with the appropriate authority.
  - (5) **Limited Liability Partnership (LLP) Documents** — Partnership Agreement, Certificate as to Partners, Certificate of Partnership or Good Standing (or equivalent) as applicable, and evidence of registration with the appropriate authority.

- (6) **Trustee Certification** - A Certificate from the trustee warranting that:
    - (a) The trust will not be revoked or substantially amended for the term of the Loan without the consent of SBA;
    - (b) The trustee has authority to act;
    - (c) The trust has the authority to borrow funds, guarantee loans, and pledge trust assets;
    - (d) There is nothing in the trust agreement that would prevent Lender from realizing on any security interest in trust assets;
    - (e) The trust agreement has specific language confirming the above; and
    - (f) The trustee has provided and will continue to provide SBA with a true and complete list of all trustors and donors.
  - (7) **Trade Name** - Documentation that Borrower has complied with state requirements for registration of Borrower's or Operating Company's trade name (or fictitious name), if one is used.
- b. Prior to closing, Lender must obtain from Borrower:
- (1) **Ownership** — Evidence that ownership and management have not changed without Lender's approval since the application was submitted.

***The following paragraphs (2) to (6) are optional***

Note: Paragraph (3), (4), (5) and (6) may be repeated if necessary

- (2) **Purchase-Sale Agreement** — Executed Purchase-Sale Agreement [**OPTION** - (to include satisfactory non-compete agreement)].
- (3) **Non-Compete** — Evidence that [**Principal's Name**] does not have a Non-Compete Contract with [**Competitor's Name**].
- (4) **Subordinate Funding** — Evidence that Borrower has received the proceeds of a loan from [**Name**] in the amount of \$[**Amount**], for a term of not less than [**Term**] years. This loan must be subordinate to the Loan.
- (5) **Other Funding (loan)** — Evidence that Borrower has received the proceeds of a loan from [**Name**] in the amount of \$[**Amount**], for a term of not less than [**Term**] years.
- (6) **Other Funding (grant or gift)** — Evidence that Borrower has received the proceeds of a grant from [**Name**] in the amount of \$[**Amount**].
- (7) **Other Funding (line of credit)** — Evidence that Borrower has received access to a line of credit from [**Name**] in the amount of \$[**Amount**].



**Borrower documents - Open Options**  
**(Can be used to add other Borrower documents as needed)**

***OPERATING INFORMATION (MANDATORY)***

**4. Operating Information**

Prior to any disbursement of Loan proceeds, Lender must obtain:

***Verification of Financial Information (MANDATORY)***

SOP 50-10(4), pg. 153 - 156-2, Subpart "A", Chapter 6, Paragraph 4f.

- a. **Verification of Financial Information** – Lender must submit IRS Form 4506 to the Internal Revenue Service to obtain federal income tax information on Borrower, or the Operating Company if Borrower is an EPC, for the last 3 years (unless Borrower or Operating Company is a start-up business). If the business has been operating for less than 3 years, Lender must obtain the information for all years in operation. This requirement does not include tax information for the most recent fiscal year if the fiscal year-end is within 6 months of the date SBA received the application. Lender must compare the tax data received from the IRS with the financial data or tax returns submitted with the Loan application, and relied upon in approving the Loan. Borrower must resolve any significant differences to the satisfaction of Lender and SBA. Failure to resolve differences may result in cancellation of the Loan.

If Lender does not receive a response from the IRS within 10 business days of submitting the SBA version of IRS Form 4506, then Lender may disburse prior to completing this verification provided that Lender has submitted IRS Form 4506 to the IRS no later than 10 business days from the date of this Authorization. Lender must still perform the verification and resolve any significant differences discovered.

***Authority to Conduct Business (MANDATORY)***

- b. **Authority to Conduct Business** - Evidence that Borrower has an Employer Identification Number and all insurance, licenses, permits and other approvals necessary to lawfully operate the business.

***Flood Hazard Determination (MANDATORY)***

SOP 50-10(4), pg. 106-109, Subpart "A", Chapter 5, Paragraph 6b. - SBA Flood Insurance Requirements

- c. **Flood Hazard Determination** - A completed Standard Flood Hazard Determination (FEMA Form 81-93).

## **Lease (OPTIONAL)**

Use this provision if any collateral is on leased premises.

**Paragraph e.** is the general rule; use **paragraph f.** only if CDC and SBA have agreed to allow a lease of less than the term of the loan; use **paragraph g.** to protect leasehold improvements; use **paragraph h.** if you are trying to keep the Borrower in the present location regardless of where the collateral is located.

SOP 50-10(4), pg. 91-92, Subpart "A", Chapter 4, Paragraph 1h.(5) - Collateral on Leased Property

- d. **Lease** - Current lease(s) on all business premises where collateral is located with term, including options, at least as long as the term of the Loan.
- e. **Lease** - Current lease(s) on all business premises where collateral is located, with an adequate term, including options, appropriate to the maturity of the Loan, considering location, type of business, and type of leasehold interest.
- f. **Lease** - Current lease(s) on all business premises where collateral is located with term, including options, at least as long as the term of the Loan plus **[number of years]** years.
- g. **Lease** - Current lease(s) on all business premises with a term, including options to renew exercisable by the Borrower, at least as long as the term of the Loan.

## **Agreement of Franchisor (OPTIONAL)**

Note: Each option within the Agreement of Franchisor (options (1) to ( 4) ) is optional

- h. **Agreement of Franchisor:**
  - (1) That Lender and SBA can have access to Franchisor's books and records relating to Borrower's billing, collections and receivables.
  - (2) That upon Loan payment default or deferment, to defer payment of franchise fees, royalties, advertising, and other fees until Borrower brings Loan payments current **[OPTION - or for [months] months, whichever is less]**.
  - (3) To give Lender 30 days notice of intent to terminate the Franchise Agreement.
  - (4) To give Lender an opportunity to cure any defaults. Deferment of fees will not be cause for franchise termination.

For CAPLines Wizard users:

Additional Conditions (Part II) starts here...

## **INJECTION (OPTIONAL)**

50-10(4), pg.86-88, Subpart "A", Chapter 4, Paragraph 1f. - SBA Injection Policy

### **5. Injection**

Lender must obtain evidence that prior to disbursement:

**Select one or more of the following paragraphs (a to d)**

- a. **Cash Injection** - At least \$**[Amount]** cash has been injected into the business as equity capital. This cash is for **[Description]**.

- b. **Standby Debt Injection** - At least \$[Amount] cash has been injected into the business. This cash is for [Description]. Borrower may obtain this cash from a loan that is Standby Debt until Borrower pays Lender in full.
- c. **Equity Injection / Standby Debt Injection** - At least \$[Amount] cash has been injected into the business. The cash is for [Description]. Borrower may obtain cash from personal resources or from a loan that is Standby Debt until Borrower pays Lender in full. Any such debt must be covered by a standby agreement substantially equivalent to SBA Form 155, with no payment permitted.
- d. **Asset Injection** - Assets with a fair market value of not less than \$[Amount] have been injected into the business as equity capital.

#### **STANDBY AGREEMENT (OPTIONAL)**

NOT OPTIONAL if "Standby Debt Injection" is selected above

50-10(4), pg.86-88, Subpart "A", Chapter 4, Paragraph 1f. - SBA Standby Injection Policy

#### **6. Standby Agreement**

***The following section must be repeated for each standby creditor***

- a. Lender to obtain Standby Creditor's Agreement from [Name], for \$[Amount], plus all accrued and future interest (Standby Debt).

**[SELECT one of the following repayment options -**

No payment of principal or interest is to be made on Standby Debt during the term of the Loan.

**OR** Monthly payments of interest on Standby Debt, at [Rate]% per year, may be made if Borrower is not in default under the Note.

**OR** Monthly payments of \$[Amount], consisting of principal and interest on Standby Debt, at [Rate]% per year, may be made if Borrower is not in default under the Note.

**OR** Monthly payments of \$[Amount], consisting of principal and interest on Standby Debt, at [Rate]% per year, beginning [Begin Date] may be made if Borrower is not in default under the Note.

**OR (Write Your Own) ]**

Standby Creditor must subordinate any lien rights in collateral securing the Loan to Lender's rights in the collateral, and take no action against Borrower or any collateral securing the Standby Debt without Lender's consent. Lender must attach a copy of the Standby Note evidencing the Standby Debt to the Standby Creditor's Agreement. Lender may use its own form or SBA Form 155.

## APPRAISAL (OPTIONAL)

SOP 50-10(4), pg. 99-104, Subpart "A", Chapter 5, Paragraph 3 - SBA Appraisal Requirements

### 7. Appraisal

Prior to disbursement, and in accordance with SOP 50-10, Lender must obtain:

***The 4 following options can be used several times if necessary***

- a. **Real Estate Appraisal** on the real property located at **[Address]**, showing a fair market value of at least **[\$Amount]**.
- b. **Equipment Appraisal** on the equipment (and fixtures if not included in a real estate appraisal) described as **[Description]**, showing a fair market value of at least **[\$Amount]**.
- c. **Marine Survey and Appraisal** on the vessel named **[Name]**, showing a fair market value of at least **[\$Amount]**.
- d. **Aircraft Appraisal** on the following aircraft - Make: **[Make]**, Model: **[Model]**, Year: **[Year]** - showing a fair market value of at least **[\$Amount]**.

## CONSTRUCTION PROVISIONS (MANDATORY - BUILDER'S CAPLines ONLY)

This section should appear in all Builder's CAPLines authorizations.

SOP 50-10(4), pg. 283-285, Subpart "C", Chapter 5, Paragraph 18j.(6) – Construction Requirements for Builder's CAPLines Loans

### 8. Construction Provisions

- a. **Building Standards:** In the construction of a new building or an addition to an existing building, the construction must conform with the "National Earthquake Hazards Reduction Program Recommended Provisions for the Development of Seismic Regulations for New Buildings" (NEHRP), or a building code that SBA has identified as having substantially equivalent provisions. Lender must obtain from Borrower evidence of compliance with these requirements. The evidence must be either a certificate issued by a licensed building architect, construction engineer or similar professional, or a letter from a state or local government agency stating that an occupancy permit is required and that the local building codes upon which the permit is based include the Seismic standards.

The following Codes have been identified as substantially equivalent to NEHRP:

- (1) Uniform Building Code of the International Congress of Building Officials (ICBO), as amended,
- (2) Supplement to the Building Officials and Code Administrators (BOCA) National Building Code, as amended,
- (3) Amendments to the Southern Building Code Congress (SBCC) Standard Building Code, as amended.

***Construction Financing has SBA Guarantee; more than \$125,000***

- b. Prior to the commencement of any construction, Lender must obtain from Borrower:
  - (1) **Insurance** - Evidence that contractor carries appropriate Builder's Risk and Worker's Compensation Insurance.
  - (2) **Injection** - Evidence that Borrower has injected the required funds into the project prior to disbursement of the Loan, if Borrower is injecting funds into the construction project.
  - (3) **Plans and Specifications** - Final plans and specifications for Lender review.
  - (4) **Firm Proposal** - Firm proposal for construction costs of each individual project, based upon approved plans and specifications.
  - (5) **Codes and Permits** - Evidence that the building, when completed, will comply with all state and local building and zoning codes, and applicable licensing and permit requirements.
  - (6) **Compliance Form** – Completed SBA Form 601, Applicant's Agreement of Compliance.
  - (7) **Construction Safeguards** – Certification that Borrower will take all normal other construction loan safeguards appropriate for the Loan.
  - (8) **Management Information** – Certification that at least one supervisory employee will be on the job site during the entire construction phase.
- c. After Construction is completed, Lender must have Borrower certify that:
  - (1) **Property Rental** - Borrower will not rent the finished project pending sale without the express written consent of Lender.
  - (2) **Sale of Final Project** - Sale of the final project will be to an unaffiliated third party. Transfer must include both legal and beneficial title.

***Construction Financing has SBA Guarantee; \$125,000 or less***

- d. **Compliance Form** — Lender must obtain SBA Form 601, Applicant's Agreement of Compliance, for projects where the construction costs exceed \$10,000.
- e. **Construction Safeguards** — Lender must take all normal construction Loan safeguards appropriate for the Loan. These safeguards may include reviewing plans and specifications, cost breakdowns, bonds, contracts, and builder's controls, and imposing necessary changes or requirements.

***CERTIFICATIONS AND AGREEMENTS (MANDATORY)***

**9. Certifications and Agreements**

***The following paragraph always appears***

- a. Lender must require Borrower to certify that:

***Receipt of Authorization (MANDATORY)***

- (1) **Receipt of Authorization** — Borrower has received a copy of this Authorization and SBA Form 793, Notice to New SBA Borrower, from Lender, and acknowledge that:
  - (a) The Authorization is not a commitment by Lender to make a loan to Borrower;

- (b) The Authorization is between Lender and SBA and creates no third party rights or benefits to Borrower;
- (c) The Note will require Borrower to give Lender prior notice of intent to prepay.
- (d) If Borrower defaults on Loan, SBA may be required to pay Lender under the SBA guarantee. SBA may then seek recovery of these funds from Borrower. Under SBA regulations, 13 CFR Part 101, Borrower may not claim or assert against SBA any immunities or defenses available under local law to defeat, modify or otherwise limit Borrower's obligation to repay to SBA any funds advanced by Lender to Borrower.
- (e) Payments by SBA to Lender under SBA's guarantee will not apply to the Loan account of Borrower, or diminish the indebtedness of Borrower under the Note or the obligations of any personal guarantor of the Note.

#### ***Adverse Change (MANDATORY)***

- (2) **Adverse Change** — That there has been no adverse change in the financial condition, organization, management, operation, or assets of Borrower since the date the Loan application was signed.

#### ***Child Support (MANDATORY)***

SOP 50-10(4), pg.129, Subpart "A", Chapter 6, Paragraph 1.b.

- (3) **Child Support** - No principal who owns at least 50% of the ownership or voting interest of the company is delinquent more than 60 days under the terms of any (a) administrative order, (b) court order, or (c) repayment agreement requiring payment of child support.

#### ***Current Taxes (MANDATORY)***

SOP 50-10(4), pg. 106, Subpart "A", Chapter 5, Paragraph 5 - SBA Tax Policy

- (4) **Current Taxes** - Borrower is current on all federal, state, and local taxes, including but not limited to income taxes, payroll taxes, real estate taxes, and sales taxes.

#### ***Environmental (OPTIONAL)***

SOP 50-10(4), pg. 115 - 128-2, Chapter 5, Paragraph 7 - SBA Environmental Policy

- (5) **Environmental** - For real estate located at **[Address]**:
  - (a) At the time Borrower submitted the Loan application, Borrower was in compliance with all local, state, and federal environmental laws and regulations pertaining to environmental contamination;
  - (b) Borrower has and will continue to comply with these laws and regulations;
  - (c) Borrower has no knowledge of any environmental contamination of any real or personal property pledged as collateral for the Loan which violates any such laws and regulations, (other than what was disclosed in connection with the Environmental Investigation of the property);
  - (d) Borrower assumes full responsibility for all costs incurred in any clean-up of environmental contamination and agree to indemnify Lender and SBA against payment of any such costs (Lender or SBA may require Borrower to execute a separate indemnification agreement);

- (e) Until full repayment of Loan, Borrower will promptly notify Lender and SBA if it knows, suspects or believes there may be any environmental contamination in or around the real property securing the Loan, or if Borrower or such property are subject to any investigation or enforcement action by any Governmental agency pertaining to any environmental contamination of the property.

***The following paragraph always appears***

- b. Lender must require Borrower to certify that it will:

***Reimbursable Expenses (MANDATORY)***

SOP 50-10(4), pg. 222, Subpart "B", Chapter 1, Paragraph 16 - SBA policy on Fees Lenders may charge

- (1) **Reimbursable Expenses** - Reimburse Lender for expenses incurred in the making and administration of the Loan.

***Books, Records and Reports (MANDATORY)***

SOP 50-10(4), pg. 106, Subpart "A", Chapter 5, Paragraph 6 - SBA Financial statement Requirements

- (2) **Books, Records, and Reports** -
- (a) Keep proper books of account in a manner satisfactory to Lender;
  - (b) Furnish [**OPTION** - compiled - **OR** - reviewed - **OR** - audited] year-end statements to Lender within [**number of days, default is 120**] days of fiscal year end;
  - (c) Furnish additional financial statements or reports whenever Lender requests them;
  - (d) Allow Lender or SBA, at Borrower's expense, to:
    - [1] Inspect and audit books, records and papers relating to Borrower's financial or business condition; and
    - [2] Inspect and appraise any of Borrower's assets; and
    - [3] Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower, upon request by Lender or SBA.
  - (e) Provide Lender with a monthly cash flow projection of all known operational activity on at least an annual basis for the term of the loan.

***Insert the following for SEASONAL, SMAB, and SAB CAPLines***

- (f) Provide Lender with a monthly borrowing base certificate, in a form satisfactory to Lender, so that Lender may reconcile the borrowing base certificates at least monthly.

***Insert the following for SMAB, and SAB CAPLines***

- (g) Provide Lender with a monthly [**OPTIONS-aging report of accounts receivable**] [**inventory schedule**] [**aging report of accounts receivable and inventory schedule**], in a form satisfactory to Lender, so that Lender may determine the appropriate amount to advance.

***Insert the following for CONTRACT CAPLines only***

(h) Provide Lender with a cash flow projection for each specific contract.

- (3) **Contract Performance Notices** - Notify Lender of any of the following:
- (a) Modification of any contract provision that affects the amount due under the contract(s) or otherwise substantially affects the contract(s);
  - (b) Termination of all or part of any contract(s);
  - (c) Failure of either party to perform its contract obligations;
  - (d) Contracting Entity:
    - (i) provides Borrower notice of default;
    - (ii) Rejects any contract deliverable; or
    - (iii) Provides Borrower notice of non-performance.

***Equal Opportunity (MANDATORY)***

SOP 50-10(4), pg. 135, Subpart "A", Chapter 6, Paragraph 1g. - Compliance with Anti-Discrimination Laws

- (4) **Equal Opportunity** - Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public, and comply with the requirements of SBA Form 793, Notice to New SBA Borrowers.

***American-made Products (MANDATORY)***

SBA Notice 7000-81- Requirement added by Congress; see Public Laws P.L. 103-317 and 103-121; Congress places this provision in SBA's annual appropriations law; see P.L. 105-119 Sec. 607

- (5) **American-made Products** - To the extent practicable, purchase only American-made equipment and products with the proceeds of the Loan.

***Taxes (MANDATORY)***

SOP 50-10(4), pg. 106, Subpart "A", Chapter 5, Paragraph 5 - SBA Tax Policy

- (6) **Taxes** - Pay all federal, state, and local taxes, including income, payroll, real estate and sales taxes of the business when they come due.

**Certifications and Agreements - Open Options I  
(Use to add other Certifications and Agreements as needed)**

***The following paragraph always appears***

- c. Lender must require Borrower to certify that it will not, without Lender's prior written consent:

***Distribution (MANDATORY)***

- (1) **Distributions** - Make any distribution of company assets that will adversely affect the financial condition of Borrower.



**Ownership Changes (MANDATORY)**

- (2) **Ownership Changes** - Change the ownership structure or interests in the business during the term of the Loan.

**Transfer of Assets (MANDATORY)**

- (3) **Transfer of Assets** - Sell, lease, pledge, encumber (except by purchase money liens on property acquired after the date of the Note), or otherwise dispose of any of Borrower's property or assets, except in the ordinary course of business.

**Fixed Asset Limitation (OPTIONAL)**

SOP 50-10(4), pg.110, Subpart "A", Chapter 5, Paragraph 6c.

- (4) **Fixed Asset Limitation** - Acquire by purchase or lease agreement any fixed assets (totaling more than \$[Amount] in any year).

**Location Limitation (OPTIONAL)**

- (5) **Location Limitation** - Acquire by purchase or by lease, any additional locations.

**Limitation on Compensation (OPTIONAL)**

SOP 50-10(4), pg.110, Subpart "A", Chapter 5, Paragraph 6c.

- (6) **Limitation on Compensation** - Allow total annual salaries, withdrawals or other forms of remuneration to officers or owners of Borrower, and their immediate family members, to exceed \$[Amount].

**Certifications and Agreements - Open Options II  
(Use to add other Certifications and Agreements as needed)**

For CAPLines Wizard users:

Signature Block section starts here...

ADMINISTRATOR  
SMALL BUSINESS ADMINISTRATION

[Approval Date]

By: [Name, Title]

Date

**The following appears for all CAPLines loans**

In consideration of SBA's guarantee of the Loan to be made by Lender to Borrower, Lender accepts the above conditions.

[Lender's Name]

By: (Name, Title)

Date

SBA Loan Number: [Loan Number]

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SBA Loan Name: [Loan Name]

# Appendix A

## Standard Collateral Conditions

### PLEASE READ THIS FIRST !

This appendix is used for both 7(a) and 504 Authorizations  
All references to “Lender” in this appendix apply only to the 7(a) Authorization.  
**For 504 authorizations, “CDC” will replace “Lender”.**

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## A. Guarantees

SBA generally takes a full unconditional guarantee.

SOP 50-10(4), pg. 98-99, Subpart 'A', Chapter 4, Paragraph 2 - SBA requirements for Guarantees. Holders of 20% or more ownership interest must guarantee the loan.

If this is an EPC/OC loan, then under SOP 50-10(4), pg.45 - 50-2, Chapter 2, Paragraph 9, the Operating Company must guarantee the loan if it is not a Co-Borrower.

If the EPC is a trust, then under SOP 50-10(4), pg.49, all trustors and donors must guarantee the loan.

See also SBA Inst 148 (Instructions for Use of SBA Form 148 and 148L)

### 1. Full Unsecured Guarantee

**Guarantee on SBA Form 148** by **[Name of guarantor]**, resident in **[State/Country Name]**.

### 2. Full Secured Guarantee

**Guarantee on SBA Form 148** by **[Name of guarantor]**, resident in **[State/Country Name]**.

Note: When securing a guarantee, references to 'Borrower' are replaced with 'Guarantor', and references to 'due on sale clause' are deleted.

Secured by: **[Reverts to full list of collateral conditions to select]**

### 3. Limited Unsecured Guarantee

**Limited Guarantee on SBA Form 148** (use 148L if available) by **[Name of guarantor]**, resident in **[State/Country Name]**.

*Select One And Only One Of The Following Paragraphs*

**BALANCE REDUCTION LIMITATION:** The Guarantee is of all amounts owing under the Note, and will continue until the total of all amounts owing under the Note is reduced below **[\$[Amount]]**, at which time Guarantor will be released from liability if the Note is not in default.

**PRINCIPAL REDUCTION LIMITATION:** The Guarantee is of all amounts owing under the Note, and will continue until the outstanding principal balance of the Note is reduced below **[\$[Amount]]**, at which time Guarantor will be released from liability if the Note is not in default.

**MAXIMUM LIABILITY LIMITATION:** The Guarantee is limited to Guarantor's payment of **[\$[Amount]]**.

**PERCENTAGE LIMITATION:** The Guarantee is limited to Guarantor's payment of **[Percent]%** of all amounts owing under the Note at the time demand is first made on Guarantor, plus the same percentage of any accrued interest and other costs charged to the Note after demand, until Guarantor fully performs this Guarantee.

TIME LIMITATION: The Guarantee is of all amounts owing under the Note. The Guarantee will continue until **[number of years]** year(s) after the date of the Note (the “Guarantee Period”). If Borrower is in default at the end of the Guarantee Period, the Guarantee will continue until all defaults are cured.

COMMUNITY PROPERTY OR SPOUSAL INTEREST LIMITATION: The Guarantee is limited to Guarantor’s community property or spousal interest in collateral pledged to secure the Note or any guarantee.

#### 4. Limited Secured Guarantee

**Limited Guarantee on SBA Form 148 (use 148L if available) by [Name of guarantor],**  
resident in **[State/Country Name]**.

*Select One And Only One Of The Following Paragraphs*

BALANCE REDUCTION LIMITATION: The Guarantee is of all amounts owing under the Note, and will continue until the total of all amounts owing under the Note is reduced below **[\$[Amount]]**, at which time Guarantor will be released from liability if the Note is not in default.

PRINCIPAL REDUCTION LIMITATION: The Guarantee is of all amounts owing under the Note, and will continue until the outstanding principal balance of the Note is reduced below **[\$[Amount]]**, at which time Guarantor will be released from liability if the Note is not in default.

MAXIMUM LIABILITY LIMITATION: The Guarantee is limited to Guarantor’s payment of **[\$[Amount]]**.

PERCENTAGE LIMITATION: The Guarantee is limited to Guarantor’s payment of **[Percent]%** of all amounts owing under the Note at the time demand is first made on Guarantor, plus the same percentage of any accrued interest and other costs charged to the Note after demand, until Guarantor fully performs this Guarantee.

TIME LIMITATION: The Guarantee is of all amounts owing under the Note. The Guarantee will continue until **[number of years]** year(s) after the date of the Note (the “Guarantee Period”). If Borrower is in default at the end of the Guarantee Period, the Guarantee will continue until all defaults are cured.

COLLATERAL/RECOURSE LIMITATION: The Guarantee is limited to the amount Lender obtains from the following collateral pledged by Guarantor **[Collateral]**

COMMUNITY PROPERTY OR SPOUSAL INTEREST LIMITATION: The Guarantee is limited to Guarantor’s community property or spousal interest in collateral pledged to secure the Note or any guarantee.

*The following always appears*

Note: When securing a guarantee, references to ‘Borrower’ are replaced with ‘Guarantor’, and references to ‘due on sale clause’ are deleted.

Secured by: **[Reverts to full list of collateral conditions to select]**

## B. Realty And Leaseholds

### 1. Lien On Land And Improvements

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

**[SELECT - First, Second, Third, Fourth, Fifth] [SELECT - Deed of Trust, Mortgage or other state specific instrument]** (including due on sale clause **[OPTION - and water rights] [OPTION - and assignment of rents]**) on land and improvements located at **[address of property]**. This property is **[SELECT - residential - OR - commercial - OR - agricultural]**.

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder] [SELECT - in the amount of \$[amount] - OR - in the present amount of \$[amount], with a revolving provision limited to a total principal outstanding of \$[amount] ]**.
  - (2) Second: **[name of lienholder] [SELECT - in the amount of \$[amount] - OR - in the present amount of \$[amount], with a revolving provision limited to a total principal outstanding of \$[amount] ]**.
  - (3) **[etc., up to four]**.

*The following paragraphs are optional.*

Note : availability of options may vary depending on the state in which the real property is located - see Appendix B for more information.

- c. Any prior lien(s) that is (are) open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.
- d. Lender must obtain a written agreement from Prior Lienholders to provide Lender with **[number of days]** days written notice before commencing foreclosure of prior lien.
- e. Lender to file a Request for Notice pursuant to state law.
- f. Written waiver of homestead required.
- g. Statement of non-homestead required.
- h. Written Designation of Business Homestead required.
- i. Lender must obtain from prior lienholders written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.
- j. Written waiver of redemption rights is required on non-residential property.

- k. Survey, certified to lender, is required, or prior survey and affidavit of no change acceptable to lender.

*Select one and only one of the following choices, from (1) to (8)*

- l. Evidence of title and priority of lien must be based upon:
- (1) ALTA Loan Policy, insuring lender and assigns,  
[OPTION - in the amount of \$[Amount].]  
[OPTION - with [specify required endorsements] endorsements.]  
[OPTION - policy to be without standard exceptions (“extended ALTA”)]  
[OPTION - policy to be without standard survey exception]  
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing].  
**[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels]**  
**[OPTION - Write Your Own]**
  - (2) Mortgagee’s Title Policy insuring lender and assigns  
[OPTION - in the amount of \$[Amount].]  
[OPTION - policy to be without standard survey exception]  
[OPTION - policy to be without exception to Homestead, Survey or Taxes]  
[OPTION - Policy must reflect that all taxes and municipal liens have been brought current or paid.]  
[OPTION - Such policy must contain no exceptions for parties in possession, mechanic’s or materialman’s liens, or matters which would be disclosed by an accurate survey.]  
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing].  
**[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels]**
  - (3) Attorney’s certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.  
[OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing]  
**[MUST APPEAR if R/E located in VT - Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents]**
  - (4) Title insurance customarily obtained for similar transactions in this jurisdiction.
  - (5) Title and/or Lien Search or other evidence of proper ownership and lien position.
  - (6) CLTA Loan Policy.
  - (7) Limited Title Policy.

- (8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

*In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required*

(9) **[Write Your Own]**

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

- m. CDC must obtain in recordable form written subordination agreements from any tenants occupying any of the Project real property required as collateral. Appropriate subordination language may be included in the Lease as an alternative.
- n. At the time of Closing, either:
- (1) there must be no contractor's, mechanic's or materialman's lien on the Property, including a lien which might possibly be filed after Closing, which would impair the stated priority of the CDC/SBA lien, and there must be no other circumstances adversely affecting the value of the property; or,
  - (2) no exception for these in the title insurance commitment/policy, or
  - (3) The title insurance company must provide affirmative coverage to CDC and SBA over any such exceptions, affording reasonably adequate protection against material loss arising from such exceptions. In addition, the title insurance company must provide such endorsements as CDC or SBA deems necessary to protect CDC and SBA reasonably against material loss arising from any other exceptions. In states where a survey is customarily provided for title insurance coverage, Borrower must also provide a survey certified to SBA/CDC, or a prior survey acceptable to SBA/CDC and the title insurer and a satisfactory survey affidavit of no change.

## **2. Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale**

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

**Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale** between **[Seller]** (Seller) and **[Purchaser]** (Purchaser), creating a valid lien on purchaser's interest covering real estate located at **[address of property]**, and its proceeds.

- a. The outstanding balance due Seller under contract is **[\$Amount owed to seller]**.
- b. Lender must obtain from seller written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.
- c. Assignment must contain the following conditions: (1) Right of reassignment; (2) Seller's consent; (3) Seller's agreement to give 60 days notice of forfeiture with right to cure; and (4) Due on sale clause.
- d. Assignment must be subject only to the interest of Seller **[OPTION - and [nature of interest(s) and amount(s)]]**.

*The following paragraph is optional*

- e. Lender must cause deed to be held in escrow.

*Select one and only one of the following choices, from (1) to (8)*

- f. Evidence of title and priority of lien must be based upon:

- (1) ALTA Loan Policy, insuring lender and assigns,  
[OPTION - in the amount of \$[Amount].]  
[OPTION - with [specify required endorsements] endorsements.]  
[OPTION - policy to be without standard exceptions ("extended ALTA")]  
[OPTION - policy to be without standard survey exception]  
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing].  
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels]  
[OPTION - Write Your Own]
- (2) Mortgagee's Title Policy insuring lender and assigns  
[OPTION - in the amount of \$[Amount].]  
[OPTION - policy to be without standard survey exception]  
[OPTION - policy to be without exception to Homestead, Survey or Taxes].  
[OPTION - Policy must reflect that all taxes and municipal liens have been brought current or paid.]  
[OPTION - Such policy must contain no exceptions for parties in possession, mechanic's or materialman's liens, or matters which would be disclosed by an accurate survey.]  
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing].  
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels]
- (3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.  
[OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing]  
[MUST APPEAR if R/E located in VT - Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents].
- (4) Title insurance customarily obtained for similar transactions in this jurisdiction.
- (5) Title and/or Lien Search or other evidence of proper ownership and lien position.
- (6) CLTA Loan Policy.



- (7) Limited Title Policy.
- (8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

*In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required*

- (9) **[Write Your Own]**

### 3. Collateral Assignment of (or lien on) Seller's Interest in Land Contract of Sale

**Collateral Assignment of (or lien on) Seller's Interest in Land Contract of Sale** between **[Seller]** (Seller) and **[Purchaser]** (Purchaser), creating a valid lien on Seller's interest covering real property sold by the Seller to Purchaser and located at **[address of property]**, and its proceeds.

- a. The outstanding balance due Seller under contract is **[\$Amount owed seller]**.
- b. Assignment must contain the following conditions: (1) Seller may receive payments from Purchaser so long as the Loan is not in default; (2) Seller must agree to direct Purchaser to make all future payments to Lender upon Loan default; and (3) Seller must agree that payment is due upon sale of seller's interest.
- c. Assignment must be subject only to the interest of Purchaser **[OPTION - and [nature of interest(s) and amount(s)]]**.

### 4. Assignment of Beneficial Interest and Power of Direction in Land Trust

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

**Assignment of Beneficial Interest and Power of Direction in Land Trust** holding title to real estate located at **[Property Address]**.

*The 2 following paragraphs a and b are optional*

- a. Subject only to the prior assignment(s) held by **[Prior Assignee]**, not exceeding **[\$Amount]**.
- b. Fee title to real estate must be subject only to prior lien(s) held by **[Prior Lienholders]**, not exceeding **[\$Amount]**.

*Select one and only one of the following paragraphs c and d*

- c. Title and lien position to be supported by ALTA Owner's Title Insurance Policy and current trust record.
- d. Evidence of title and lien position is required, in form of tract book search or attorney's letter of opinion and current trust record.

## 5. Leasehold Instrument on Building Constructed on Leased Land

**[SELECT - First, Second, etc.] Leasehold [SELECT - Deed of Trust, Mortgage or other state specific instrument] (including due on sale clause) on Building(s) Constructed on Leased Land** located at **[address of property]**. This property is **[SELECT - commercial - OR - agricultural]**.

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder] [SELECT - in the amount of \$[amount] - OR - in the present amount of \$[amount], with a revolving provision limited to a total principal outstanding of \$[amount] ]**.
  - (2) Second: **[name of lienholder] [SELECT - in the amount of \$[amount] - OR - in the present amount of \$[amount], with a revolving provision limited to a total principal outstanding of \$[amount] ]**.
  - (3) **[etc., up to four]**.

*The following paragraphs always appear*

- c. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan**[OPTION - plus [number of years] year(s)]**.
- d. Lease must contain clauses providing for the following:
  - (1) Tenant's right to encumber leasehold estate;
  - (2) No modification or cancellation of lease without lender's or assignee's approval;
  - (3) Lender's or assignee's right to acquire the leasehold at foreclosure sale or by assignment and unqualified right of reassignment of the leasehold estate (along with right to exercise any options) by lender or successors;
  - (4) Lender's or assignee's right to sublease;
  - (5) Lender's or assignee's rights upon default of the tenant or termination of the lease. This would include notice, extended time to cure (at least 90 days), time allotted for foreclosure and sale, and procedures for non-monetary defaults;
  - (6) Lender's or assignee's rights to hazard insurance proceeds resulting from damage to improvements;
  - (7) Lender's or assignee's first right to share in condemnation proceeds.
- e. Lender must obtain Lessor's written consent to the leasehold**[Type of Instrument - same as above]** and a collateral assignment of lease.

*The following paragraphs are optional.*

Note : availability of options may vary depending on the state in which the real property is located - see Appendix B for more information.

- f. Any prior lien(s) that is (are) open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.
- g. Lender must obtain a written agreement from Prior Lienholders to provide Lender with **[number of days]** days written notice before commencing foreclosure of prior lien.
- h. Lender to file a Request for Notice pursuant to state law.
- i. Written waiver of homestead required.
- j. Statement of non-homestead required.
- k. Written Designation of Business Homestead required.
- l. Lender must obtain from prior lienholders written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.
- m. Written waiver of redemption rights is required on non-residential property.
- n. Survey, certified to lender, is required, or prior survey and affidavit of no change acceptable to lender.

*Select one and only one of the following choices, from (1) to (8)*

- o. Evidence of title and priority of lien must be based upon:
  - (1) ALTA Loan Policy, insuring lender and assigns,
    - [OPTION - in the amount of \$[Amount].]**
    - [OPTION - with [specify required endorsements] endorsements]**
    - [OPTION - policy to be without standard exceptions (“extended ALTA”)]**
    - [OPTION - policy to be without standard survey exception]**
    - [OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]**
    - [MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels]**
    - [OPTION - Write Your Own]**
  - (2) Mortgagee’s Title Policy insuring lender and assigns
    - [OPTION - in the amount of \$[Amount].]**
    - [OPTION - policy to be without standard survey exception]**
    - [OPTION - policy to be without exception to Homestead, Survey or Taxes.]**
    - [OPTION - Policy must reflect that all taxes and municipal liens have been brought current or paid.]**
    - [OPTION - Such policy must contain no exceptions for parties in possession, mechanic’s or materialman’s liens, or matters which would be disclosed by an accurate survey.]**
    - [OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a**

detailed engineering study satisfactory to Lender is submitted prior to closing<sup>1</sup>.

**[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels]**

- (3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.

**[OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing]**

**[MUST APPEAR if R/E located in VT - Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents<sup>1</sup>.**

- (4) Title insurance customarily obtained for similar transactions in this jurisdiction.
- (5) Title and/or Lien Search or other evidence of proper ownership and lien position.
- (6) CLTA Loan Policy.
- (7) Limited Title Policy.
- (8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

*In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required*

- (9) **[Write Your Own]**

*The following paragraph (LANDLORDS WAIVER) is optional*

SOP 50-10(4), pg.91-92, Subpart "A", Chapter 2, Paragraph 1.h.(5) - Requirements for Collateral on leased land

- p. Lender must obtain a written agreement from all Lessors (including sublessors) agreeing to:
- (1) Subordinate to Lender Lessor's interest, if any, in this property; (2) Provide Lender written notice of default and reasonable opportunity to cure the default; and (3) Allow Lender the right to take possession and dispose of or remove the collateral.

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

- q. CDC must obtain in recordable form written subordination agreements from any tenants occupying any of the Project real property required as collateral. Appropriate subordination language may be included in the Lease as an alternative.
- r. At the time of Closing, either:
- (1) there must be no contractor's, mechanic's or materialman's lien on the Property, including a lien which might possibly be filed after Closing, which would impair the stated priority of the CDC/SBA lien, and there must be no other circumstances adversely affecting the value of the property; or,

- (2) no exception for these in the title insurance commitment/policy, or
- (3) The title insurance company must provide affirmative coverage to CDC and SBA over any such exceptions, affording reasonably adequate protection against material loss arising from such exceptions. In addition, the title insurance company must provide such endorsements as CDC or SBA deems necessary to protect CDC and SBA reasonably against material loss arising from any other exceptions. In states where a survey is customarily provided for title insurance coverage, Borrower must also provide a survey certified to SBA/CDC, or a prior survey acceptable to SBA/CDC and the title insurer and a satisfactory survey affidavit of no change.

## 6. Leasehold Security Interest in building on leased land

**[SELECT - First, Second, etc.] Leasehold Security Interest (including due on sale clause) in building on leased land** located at **[address of property]**.

*The following must appear if junior lien position.*

- a. Subject to lien(s) totaling not more than **[\$Amount]** ].

*The following paragraphs must always appear.*

- b. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan**[OPTION - plus [number of years] year(s)]**.
- c. Lease must contain clauses providing for the following:
  - (1) Tenant's right to encumber leasehold estate;
  - (2) No modification or cancellation of lease without lender's or assignee's approval;
  - (3) Lender's or assignee's right to acquire the leasehold at foreclosure sale or by assignment and unqualified right of reassignment of the leasehold estate (along with right to exercise any options) by lender or successors;
  - (4) Lender's or assignee's right to sublease;
  - (5) Lender's or assignee's rights upon default of the tenant or termination of the lease. This would include notice, extended time to cure (at least 90 days), time allotted for foreclosure and sale, and procedures for non-monetary defaults;
  - (6) Lender's or assignee's rights to hazard insurance proceeds resulting from damage to improvements;
  - (7) Lender's or assignee's first right to share in condemnation proceeds.
- d. Lender must obtain Lessor's written consent and subordination to the fixture filing.

## 7. Lessee's Interest in a Lease by Assignment

**Collateral Assignment of Lessee's Interest in the Lease** between **[Lessor's name]**, Lessor, and **[Lessee's name]**, Lessee, **[OPTION - dated [date of lease]]** for the premises located at **[address of leased premises]**, including right of reassignment, Lessor's consent to the assignment and agreement to subordinate its interest in any property which is collateral for the Loan. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION - plus [number of years] year(s)]**. Lease must require Lessor to provide Lender/SBA **[number of days - default is 60]**-day written notice of intent to terminate the lease for Borrower's default and an opportunity to cure.

## 8. Lessee's Interest in a Lease by Lien, Mortgage or Deed of Trust

**[SELECT - First, Second, etc.] Lien, Mortgage or Deed of Trust on Lessee's interest (including due on sale clause) in the lease** between **[Lessor's name]**, Lessor, and **[Lessee's Name]**, Lessee, **[MUST APPEAR if not a first lien position - subject to lien(s) totaling not more than \$[Amount]]**. This property is **[SELECT - residential - OR - commercial - OR - agricultural]**. The terms of the lease or the lien instrument must include a right of reassignment, Lessor's consent to the assignment and agreement to subordinate its interest in any property which is collateral for the Loan. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION - plus [number of years] year(s)]**. Lease must require Lessor to provide Lender/SBA **[number of days - default is 60]**-day written notice of intent to terminate the lease for Borrower's default and an opportunity to cure.

## 9. Leasehold on Tribal Land

**Assignment of Leasehold on Tribal Land** **[SELECT - First, Second, etc.] Assignment**, with right of reassignment, of all of Borrower's rights and interests in and to a certain Lease between Borrower (as Lessee) and **[name of Indian tribe]** Indian Tribe (as Lessor) covering premises located at **[location of leasehold]**, **[MUST APPEAR if not a first lien position - subject to lien(s) totaling not more than \$[Amount]]** to include written consent of the Tribal Council and the Secretary of the Interior. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION - plus [number of years] year(s)]**.

## 10. Cooperative Apartment

**[SELECT - First, Second, etc.] Security Interest in Cooperative Apartment** located at **[property address]**, including an Assignment of Proprietary Lease to Premises and pledge of shares of stock in Cooperative Apartment, subject to recognition of lien by Cooperative Association/Corporation. A Uniform Commercial Code lien search evidencing the required lien position is required.

## C. Security Interests

### 1. Personal Property

This section should be used more than once if different lien positions are taken on different kinds of personal property.

For Puerto Rico Chattel Mortgage only: the text perfected security interest will be replaced with chattel mortgage'

**[SELECT - First, Second, etc.] perfected security interest, [MUST APPEAR if first lien position - subject to no other liens] in the following personal property**(including any proceeds and products), **[SELECT - whether now owned or later acquired- OR - acquired with loan proceeds, including all replacements and substitutions- OR - whether now owned or later acquired or acquired with loan proceeds, including all replacements and substitution]**s wherever located:

**[OPTION - Equipment:]**

**[OPTION - Fixtures:]**

**[OPTION - Inventory:]**

**[OPTION - Accounts:]**

**[OPTION - Instruments:]**

**[OPTION - Chattel Paper:]**

**[OPTION - General Intangibles:]**

**[OPTION - Farm Products - Crops growing or to be grown, their products, and all accounts or general intangibles arising from their sale ]**

**[OPTION - Farm Products - All livestock now owned, in gestation and later acquired, including their products and natural increase, if any]**

**[OPTION - Write Your Own]**

*If junior lien position, select one or more of the following options (a, b, and c).*

**Note : Options a and c can be repeated if necessary**

- a. Subject only to the prior lien of **[Prior Lienholder]** in the amount of **[\$[Amount]]** on the following collateral: **[SELECT from list of personal properties selected above]**
- b. Any prior lien that is open ended as to future advances must be closed, in writing, according to applicable state law.
- c. Subject only to the interest of **[lenders name]** under a Line of Credit in the maximum amount of **[\$[Amount]]** on the following collateral: **[SELECT from list of personal properties selected above]**

*The following paragraph (LANDLORDS WAIVER) is optional*

- d. Lender must obtain a written agreement from all Lessors (including sublessors) agreeing to: (1) Subordinate to Lender Lessor's interest, if any, in this property; (2) Provide Lender written notice of default and reasonable opportunity to cure the default; and (3) Allow Lender the right to take possession and dispose of or remove the collateral.

*The following paragraph must appear if equipment or fixtures is selected above*

- e. Lender must obtain a list of all equipment and fixtures that are collateral for the Loan. For items with a unit value of \$500 or more, the list must include a description and serial number, if applicable.

*The following paragraph must always appear*

- f. Lender must obtain an appropriate Uniform Commercial Code lien search evidencing all required lien positions. If UCC search is not available, another type of lien search may be substituted.

*The following paragraph must appear in 7(a) Authorizations only  
if junior lien position*

- g. Lender must take a purchase money security interest in all personal property acquired with Loan proceeds.

*The following paragraphs must appear in 504 Authorizations only  
when collateral is Project Property.*

- h. At the time of Closing, there must be no circumstances adversely affecting the value of the property. There must be no lien on the Property, including a lien which might possibly be filed after Closing, which impairs the stated priority of the CDC/SBA lien.

## 2. Liquor License

**[SELECT - First, Second, etc.] Security interest in [SELECT - Liquor License # [License number] and the proceeds of any sale of the license- OR - Proceeds of the sale of Liquor License # [License number] ].**

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (3) [etc., up to four]

## 3. Vehicle

**[SELECT - First, Second, etc.] Security Interest on the following Vehicle- Make or Model: [INPUT], Year: [INPUT].**

*The following must appear if first lien position.*

- a. subject to no other liens.



*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$amount]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$amount]**
  - (3) [etc., up to four]

#### **4. Mobile Home**

**[SELECT - First, Second, etc.] Security Interest in a Mobile Home** Serial Number **[serial number]**, owned by **[record owner]** located at **[property address]**.

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$amount]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$amount]**
  - (3) [etc., up to four]

#### **5. Aircraft**

**[SELECT - First, Second, etc.] Perfected Security Agreement recorded with the Federal Aviation Administration(FAA)** Oklahoma City, Oklahoma, against the following aircraft - Make: **[make]**, Model: **[model]**, Year: **[year]**.

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$amount]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$amount]**
  - (3) [etc., up to four]

*The following paragraph always appears*

- c. Lender must verify title and lien position by Certificate.

## 6. Vessel

**[SELECT - First, Second, etc.] Preferred Ship's Mortgage** recorded with the U.S. Coast Guard against the vessel named **[name of vessel]**, and noted on the vessels' official log.

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$amount]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$amount]**
  - (3) [etc., up to four]

*The following paragraph always appears*

- c. Lender must verify lien position by Certificate issued by U.S. Coast Guard.

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

- d. At the time of Closing, there must be no circumstances adversely affecting the value of the property. There must be no lien on the Property, including a lien which might possibly be filed after Closing, which impairs the stated priority of the CDC/SBA lien.

## D. Assignments of Interest

### 1. Certificate of Deposit

**Assignment of certificate of deposit** held by **[owner of CD]** in the amount of **[\$Amount of CD]**, with acknowledgment from the issuing financial institution.

### 2. Mutual Fund

**Assignment of Mutual Fund Interest** Assignment to Lender by **[shareholder]** (shareholder) of all interest in **[name of Mutual Fund account]**. Lender must obtain acknowledgment of such assignment from the broker or Mutual Fund.

### 3. Corporate Stock (by pledge)

**Pledge of Corporate Stock** Pledge to Lender by **[shareholder]** (shareholder) of **[number of shares]** shares of stock (but not voting rights) in **[name of company]**.

#### 4. Note

**Assignment of note** dated **[date of note]**, executed by **[Input]** to **[Input]** with approximate balance due of **[\$Amount of balance due]****[OPTION - and assignment of: [Reverts to full list of collateral conditions to select]]**

#### 5. Contract

**Contract Assignment** A valid assignment and first security interest covering all proceeds under contract dated **[date of contract]** between Borrower and **[name of other party to contract]** in the amount of **[\$Amount]**.

#### 6. Government Contract

**U.S. Government Contract Assignment and Notice of Assignment** Assignment of monies due or to become due under federal contract number **[contract number]** with the **[name of agency]** in the amount **[\$Amount of contract]** and any subsequent modifications or additions. Lender must perfect the assignment pursuant to Federal Acquisition Regulations.

#### 7. U.S. Patent

**Assignment of U.S. patent** number **[patent number]** issued to **[patent holder]**. Lender must comply with U.S. Patent and Trademark laws.

#### 8. Franchise Agreement

SOP 50-10(4), pg. 112-113, Subpart "A", Chapter 5, Paragraph 6.f. - SBA Franchise Requirements

**Assignment of Franchisee's Interest** Franchisor must agree to allow Franchisee to assign the Franchise Agreement for security purposes with rights of reassignment.

## Appendix B

### State-specific Options in the Standard Collateral Conditions

This appendix describes, for every U.S. state, the state-specific options available in the following collateral conditions :

1. Lien On Land And Improvements
2. Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale
3. Assignment of Beneficial Interest and Power of Direction in Land Trust

These state-specific options are divided into 3 categories:

- (a) Type(s) of Lien Instrument;
- (b) Available Boilerplate options;
- (c) Available Evidence of title options.

The "**Evidence of Title options**" are indexed as follow. Refer to Appendix A for the full text.

- (1) ALTA Loan Policy insuring lender and assigns
- (2) Mortgagee's Title Policy insuring lender and assigns
- (3) Attorney's Certificate of title, or title opinion in favor of lender (...)
- (4) Title Insurance customarily obtained for similar transactions in this state
- (5) Title and/or Lien Search, or other evidence of proper ownership (...)
- (6) CLTA Loan Policy
- (7) Limited Title Policy
- (8) Property, Judgment and Lien Report indicating lender obtained required position

The "**Boilerplate options**" are indexed as follow. Refer to Appendix A for the exact text.

- (1) (index not used)
- (2) Any prior lien that is open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.
- (3) Lender must obtain a written agreement from Prior Lienholders to provide Lender with [Number of days] days written notice before commencing foreclosure of prior lien.
- (4) Lender to file a Request for Notice pursuant to state law.
- (5) Written waiver of homestead required (Residential property only).
- (6) Lender must obtain from prior lienholders written verification (a) of amount owing on prior obligation, (b) that Borrower is current on payments, and (c) that Borrower is not otherwise in default.
- (7) Written waiver of redemption rights required on non-residential property.
- (8) Survey, certified to Lender, is required, or prior survey and affidavit of no change acceptable to Lender.
- (9) Written Designation of Business Homestead required.
- (10) Statement of non-homestead required.

# **List of options by state**

## **Alabama**

Instrument: Mortgage  
Evidence of Title: (3) (4) (5)  
Boilerplate options: (6) (10)

## **Alaska**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (5)  
Boilerplate options: (2) (3) (6)

## **Arizona**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (5)  
Boilerplate options: (2) (6)

## **Arkansas**

Instrument: Mortgage, Deed of Trust  
Evidence of Title: (1) (2) (5)  
Boilerplate options: (2) (3) (5) (6) (10)

## **California**

Instrument: Deed of Trust  
Evidence of Title: (1) (6) (7) (4) (5)  
Boilerplate options: (2) (4) (6)

## **Colorado**

Instrument: Deed of Trust  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (6) (10)

## **Connecticut**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (5) (6)

## **Delaware**

Instrument: Mortgage  
Evidence of Title: (4) (5)  
Boilerplate options: (2) (6) (10)

## **Florida**

Instrument: Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (6) (10)

## **Georgia**

Instrument: Deed to Secure Debt  
Evidence of Title: (1) (3) (4) (5)  
Boilerplate options: (2) (3) (6)

## **Guam**

Instrument: Mortgage  
Evidence of Title: (4) (5)  
Boilerplate options: (6) (10)

## **Hawaii**

Instrument: Mortgage  
Evidence of Title: (4) (5)  
Boilerplate options: (6)

## **Idaho**

Instrument: Deed of Trust, Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (6)

## **Illinois**

Instrument: Mortgage  
Evidence of Title: (1) (3) (5)  
Boilerplate options: (2) (5) (6) (7) (10)

## **Indiana**

Instrument: Mortgage  
Evidence of Title: (2) (5)  
Boilerplate options: (2)

## **Iowa**

Instrument: Mortgage  
Evidence of Title: (3) (5)  
Boilerplate options: (2) (5) (6) (8)

## **Kansas**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (4) (5)  
Boilerplate options: (2) (6) (7) (10)

## **Kentucky**

Instrument: Mortgage  
Evidence of Title: (2) (3) (4) (5)  
Boilerplate options: (2) (3) (6)

**Louisiana**

Instrument: Mortgage  
Evidence of Title: (2) (5)  
Boilerplate options: (2) (3) (5) (6) (10)

**Maine**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (6)

**Maryland**

Instrument: Deed of Trust; Indemnity Deed  
of Trust (when securing guarantee)  
Evidence of Title: (2) (3) (8) (5)  
Boilerplate options: (2) (3)

**Massachusetts**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (6) (10)

**Michigan**

Instrument: Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (3)

**Minnesota**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (4) (5)  
Boilerplate options: (2) (4) (6) (10)

**Mississippi**

Instrument: Deed of Trust  
Evidence of Title: (1) (3)  
Boilerplate options: (2) (3) (5) (6) (10)

**Missouri**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (3) (4) (5)  
Boilerplate options: (2) (4) (6)

**Montana**

Instrument: Montana Trust Indenture,  
Mortgage  
Evidence of Title: (1)  
Boilerplate options: (2) (3) (5) (10)

**Nebraska**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (3)  
Boilerplate options: (2) (4) (6) (10)

**Nevada**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (3)  
Boilerplate options: (2) (4) (5) (6) (10)

**New Hampshire**

Instrument: Mortgage  
Evidence of Title: (1) (3)  
Boilerplate options: (2) (3) (5) (6) (10)

**New Jersey**

Instrument: Mortgage  
Evidence of Title: (2)  
Boilerplate options: (6) (10)

**New Mexico**

Instrument: Mortgage  
Evidence of Title: (1)  
Boilerplate options: (2) (10)

**New York**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (4) (5) (8)  
Boilerplate options: (2) (3) (6)

**North Carolina**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (3) (4)  
Boilerplate options: (2) (4) (6)

**North Dakota**

Instrument: Mortgage  
Evidence of Title: (2) (3)  
Boilerplate options: (2) (5) (6) (10)

**Ohio**

Instrument: Mortgage  
Evidence of Title: (2) (3) (5)  
Boilerplate options: (2) (6)

**Oklahoma**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (4) (5)  
Boilerplate options: (2) (6) (10)

**Oregon**

Instrument: Deed of Trust, Mortgage  
Evidence of Title: (1) (4) (5)  
Boilerplate options: (2) (6)

**Pennsylvania**

Instrument: Mortgage  
Evidence of Title: (4) (5)  
Boilerplate options: (2) (6) (10)

**Puerto Rico**

Instrument: Mortgage  
Evidence of Title: (2) (5)  
Boilerplate options: (2) (6)

**Rhode Island**

Instrument: Mortgage  
Evidence of Title: (2) (3) (4) (5)  
Boilerplate options: (2) (3)

**South Carolina**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (3) (6)

**South Dakota**

Instrument: Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (5) (6) (10)

**Tennessee**

Instrument: Deed of Trust  
Evidence of Title: (1) (3)  
Boilerplate options: (2) (3) (6) (8) (10)

**Texas**

Instrument: Deed of Trust  
Evidence of Title: (2) (5)  
Boilerplate options: (2) (3) (5) (6) (9) (10)

**Utah**

Instrument: Deed of Trust  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (4) (6)

**Vermont**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (3) (5) (6) (10)

**Virginia**

Instrument: Deed of Trust  
Evidence of Title: (1) (3) (5)  
Boilerplate options: (2) (3) (6)

**Washington**

Instrument: Deed of Trust, Mortgage  
Evidence of Title: (1) (2)  
Boilerplate options: (2) (6)

**Washington DC**

Instrument: Deed of Trust  
Evidence of Title: (4) (5)  
Boilerplate options: (2) (3) (6) (10)

**West Virginia**

Instrument: Deed of Trust, Mortgage  
Evidence of Title: (3) (5)  
Boilerplate options: (2) (3) (4) (6)

**Wisconsin**

Instrument: Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (3) (6) (10)

**Wyoming**

Instrument: Mortgage  
Evidence of Title: (1) (2) (4) (5)  
Boilerplate options: (5) (6) (10)

**Exceptions to the above list**

- ? If available in a state, Boilerplate option (5) is available only for residential real property.
- ? If available in a state, Boilerplate option (7) is available only for commercial real property.
- ? The following boilerplate options are not available with a first lien position: (2) (3) (4) (6)
- ? In 504 Authorizations, if real property is project property, Evidence of Title option (1) must be used except in the following state, where it is : Iowa: (3); North Dakota: (1) (2); Texas: (2)

## Appendix C

### Frequently-Asked Questions (FAQ's)

This appendix is a compilation of frequently asked questions (FAQ's) relating to the Boilerplate. For questions relating to the operation of the Wizard, refer to the FAQ section of the "CAPLines Wizard Help Topics" available from the CAPLines Wizard menu.

#### **What should you do if you don't find the answer to your question in this FAQ?**

Additional FAQ's published after the release date of this document will be posted on [SBA's intranet](#). SBA has created an Exchange Mailbox - "Auth-CAP" to receive and respond to questions raised by SBA employees. SBA employees should first submit questions, comments and suggestions through their supervisory financing personnel or counsel, who may be able to resolve the issue locally.

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## 1. What are some of the major differences between the CAPLines Authorization and the 7(a) Authorization?

- a. The CAPLines Authorization Boilerplate contains the national standard language for all 5 CAPLines programs; Contract, Seasonal, Builders, Small Asset Based (SMAB), and Standard Asset Based (SAB). The boilerplate also includes requirements and options related to single project loans and multiple project loans and to both revolving and non-revolving lines. Since it covers five separate programs and all the variables related to each, the CAPLines wizard is much more complex than either the 7(a) or 504 Authorizations. You will be asked to select what type of loan you are making, whether it is for a single project or multiple projects, and whether the line financed by the Loan is revolving or non-revolving. Based on your selections, the wizard will ask you for information related only to the type of loan you are making.
- b. The Use of Proceeds section has been changed to a Use of Proceeds and Disbursement section and now includes the extensive and varied requirements related to disbursing CAPLines loans. These disbursement requirements frequently appeared in the Additional Conditions section of local authorizations, along with servicing requirements for CAPLines loans. Most servicing requirements have been removed from this CAPLines Authorization.
- c. Based on information you supply when completing the Use of Proceeds section, the wizard will automatically input into the Authorization at the beginning of the collateral section one required project collateral condition for the selected CAPLines loan. For example, if you select a Contract loan, you will be asked for information about the contract on panels in the Use of Proceeds Section, but the Authorization language related to this information will appear at the beginning of the Collateral Section. In order to include Guarantees and other additional collateral, you must complete the Collateral Conditions section of the wizard, just like you do for 7(a) and 504 loans.
- d. CAPLines loans cannot currently be processed under any of the Agency's delegated authority (PLP or *SBAExpress*) programs or other expedited processing (LowDoc or CLP) programs. If you want your CLP/PLP lenders to complete draft Authorizations for CAPLines loans to send with their loan applications, you may download the wizard and other necessary documents to a disk and provide it to your Lenders.
- e. There is no EPC/OC option in CAPLines loans. Therefore, no EPC/OC language or options are included in the CAPLines Authorization.

## 2. What if I change from one program to another after I have made the initial selection?

- a. If you change from one of the 5 subprograms to another, from a single project to multiple projects, or from a revolving to a non-revolving line, then you must:
  - cycle through each section of the wizard again;
  - check to see if the information you put in the panels is still appropriate;

- revise the information as necessary; and
  - click the finish button to update each section of the authorization.
- b. Because of the complex nature of this wizard and the many different variables and options that relate to each subprogram, this is the only way you can assure that you have all the required language in the Authorization related to the Loan.

### **3. Why does the wizard ask me for collateral related information in the Use of Proceeds section?**

In order to input the one required project collateral paragraph for each of the programs without interfering with the existing programming in the complex Collateral Conditions section, the Authorization committee added the necessary panels and programming to the Use of Proceeds section.

For example, if you select a contract loan, you will be asked for information about the contract financed on panels in the Use of Proceeds Section. However, the Authorization language related to the information on those panels will appear at the beginning of the Collateral Section.

In order to include Guarantees and other additional collateral in the Authorization, you must complete the Collateral Conditions section of the wizard.

### **4. Is the CAPLines Authorization compatible with Word 2000?**

No, a Word 2000 compatible version of the Authorization is not available at this time. Once the Agency converts to Word 2000 a compatible wizard will be provided for all the Authorizations.

### **5. Is the required language in the Repayment section to be used on SBA's Note form, SBA Form 147, or on the Lender's own Note forms?**

In many CAPLines loans there is one Master Note and several Sub-Notes. The repayment language in the Authorization language is intended for use on the Master Note. SBA's Note, SBA Form 147, must be used for the Master Note. The lender may use his own forms for Sub-Notes, if any.

### **6. Where do I find the specific servicing requirements related to CAPLines Loans?**

Servicing requirements for CAPLines Loans can currently be found in the Financing SOP (see SOP 50-10(4) Subpart "C," Chapter 1, Paragraph 14, and Appendix 9), and the Servicing SOP (see SOP 50-50(4A) Chapter 6, Paragraph 8, and Appendix 28).

### **7. Why was the Authorization changed so that it is no longer a Loan Agreement?**

Under SBA regulations, the Authorization is not an agreement to lend money (see 13 CFR 120.10). The Authorization is intended to provide the lender with specific conditions which must be met for SBA to provide a guaranty of the loan the lender is making to the borrower. It is not a contract between SBA and the borrower, and the borrower is not a third party beneficiary of the Authorization. SBA is not lending money to the borrower and SBA cannot force a lender to make a loan to any borrower, even if the borrower complies with the terms of the Authorization. The borrower and operating company do not sign the Authorization. The change in focus reflects these SBA policies.

The requirements of the Authorization are directed to the lender. SBA is not directing borrowers to meet certain requirements. SBA directs lenders to obtain the information, documents, and certifications from the borrowers necessary to meet SBA's requirements for a guaranty. When a lender requests that SBA honor its guaranty, SBA requires the lender to present evidence that the loan was properly closed in accordance with the Authorization and serviced and liquidated according to SBA policies. Lenders are responsible for meeting SBA requirements and the focus of the Authorization emphasizes this SBA policy.

#### **8. Does SBA require a loan agreement? What sample form can lenders use for borrower's certifications?**

SBA does not require that a lender use a loan agreement. It is up to a lender to determine whether a loan agreement is needed for its lending practice. Paragraph C. of the Boilerplate states that it is a lender's sole responsibility to close the loan in accordance with the terms and conditions of the authorization, to obtain valid and enforceable loan documents, and to retain the documents. SBA does not require a loan agreement but does require that the documents be enforceable and that the borrower makes certain certifications. Lenders are provided with a sample form, Borrower's Certification (2 pages - see Appendix D), which is a compilation of the various certifications found in the Boilerplate and provides a space for the borrower to initial next to those certifications applicable to the particular loan. Lenders will need to retain an executed document containing these certifications, and may use this sample form as a basis for that document or for incorporating the required certifications into their loan agreement. Lenders are also provided with a sample Loan Agreement form (1 page - see Appendix D) which they may use. SBA is leaving the issue of whether a loan agreement is required, and what form it should take, up to the lender, but SBA does require that necessary borrower's certifications be made in writing.

#### **9. What if Authorization provisions conflict with SOP 50-10(4)?**

If you discover an apparent conflict, please send an e-mail to "Auth-CAP" mailbox describing the conflict and stating the SOP paragraph and the authorization paragraph which you believe conflict. You must continue to use the Boilerplate. The Boilerplate reflects current SBA policy. OGC and OFA have reviewed and approved the Boilerplate. The Boilerplate is considered an Appendix to SOP 50-10(4). The Boilerplate will be updated from time to time to reflect policy changes in subsequent regulations, Notices, or SOPs.

#### **10. How will subsequent modifications to the Authorization be distributed to the field?**

The Authorization will be modified periodically to address state-specific issues, implement policy changes, and correct "glitches".

OCIO will download future updates automatically to each processing office's LAN with notification via SBA information channels. SBA offices also will be able to obtain the files via [SBA's Intranet](#). The version is printed in the footer of each authorization document. The version can also be seen by selecting the 'About CAPLines Wizard' option in the CAPLines Wizard menu. It is also printed on the first page of the Boilerplate.

#### **11. Can you include additional forms in section "D. Required Forms"?**

The Boilerplate lists all SBA required forms. (The CAPLines Wizard automatically adds SBA Forms 148 and 601 when applicable.) SBA offices may not require lenders to use any local forms.

The SBA Deed of Trust and Mortgage are no longer required forms. Lenders may use their own lien instruments, which must comply with legal requirements and prudent lending practices. If they do, they must add to all lien instruments the federal law and arbitration provisions required in the Collateral section of the Authorization. This language must also be added to the SBA Deed of Trust and Mortgage forms if the lender chooses to use these forms. The federal law provisions stating that the lien instrument is to be construed in accordance with federal law if SBA is enforcing the Note protects SBA if the lender assigns its loan documents to SBA for enforcement. The arbitration clause is necessary to protect SBA from binding arbitration clauses found in some local forms.

## **12. Why doesn't SBA instruct lenders how to obtain insurance, perfect liens or meet other requirements in the Authorization?**

The Authorization gives a lender the requirements that must be met for SBA to guarantee a loan. It does not instruct the lender how specifically to meet those requirements. As lenders, they are responsible for knowing how to properly close loans, secure collateral, and obtain and perfect the required lien position. A lender and SBA sign a Loan Guaranty Agreement, SBA Form 750, that provides the general requirements the lender must meet for SBA to guarantee loans at lender's request. SBA lenders must follow SBA's regulations and SOP requirements. They are held to a prudent lender standard.

## **13. Why doesn't the Authorization specify how to perfect a lien for each piece of real estate taken as collateral or specify which signatures a lender must obtain for rental property?**

The Boilerplate notifies lenders that they must obtain "the signature or written consent of any obligor's spouse if such consent or signature is necessary to bind the marital community or create a valid lien on marital property." SBA holds lenders responsible for knowing how to create and properly perfect a lien on property required by the Authorization. The Authorization gives a lender the requirements that must be met for SBA to guarantee the loan between the lender and the borrower. It does not instruct the lender on how to meet those requirements. The lender, not SBA, must determine the legal ownership of a piece of real estate and determine what signatures must be obtained to create enforceable documents.

An SBA office may give lenders a Closing Checklist addressing local requirements and provide closing guidelines. Samples of Closing Checklists used in several offices are available on [SBA's Intranet](#).

## **14. Why are machinery, furniture and business assets not collateral categories in the lien provisions?**

The Boilerplate provisions for personal property collateral use the defined terms in the Uniform Commercial Code (Code) for property categories. The Code states which types of property fall into each category. Machinery, furniture and business assets are included in one or more of the defined collateral categories. For example, machinery and furniture are defined as equipment under the Code. If you cannot determine the appropriate option(s), consult with counsel.

## **15. May I write my own repayment terms, or use local lender terms and skip the standard repayment terms?**

You may not replace the standard repayment terms in the Authorization with lender-specific or office-specific language. All authorized CAPLines loan options have been provided. The repayment terms in the Authorization are terms for the Master Note. The SBA Note, SBA Form 147, must be used for the Master

Note. If there is a need for a specific term for a particular loan that is not in the Boilerplate, you and the SBA counsel should work together to draft a provision for use in that specific case.

**16. Why doesn't the Authorization require lenders to use the low prime published in the Wall Street Journal?**

The Wall Street Journal now only publishes one prime rate. This rate is based on the corporate loan rate charged by 75% of the nation's 30 largest banks.

**17. Can I remove the extraneous documents in the "Borrower and Guarantor Documents" section?**

No. The Authorization intentionally lists documents required for all types of legal entities. Borrowers and Guarantors frequently change their legal structures between the time the authorization is issued and the loan is closed. The list tells a lender what is required for each entity and accommodates changes in organization that are made before closing. Lenders should inform SBA of any changes and should submit material changes for SBA review and approval.

**18. Why does the Authorization have the SBA Logo instead of the SBA Seal?**

SBA Headquarters selected the Logo instead of the Seal. All revised SBA documents will use this Logo at the top of the document.

**19. Why was the Administrator's name omitted from the SBA signature block?**

The Authorization is signed on behalf of the "Administrator", whomever that may be at the time. The name is not a necessary part of the official document. Eliminating the name avoids changing the document when there is a new Administrator.

**20. How is the SBA Loan Name determined?**

Choose the first available name from this list:

- a. dba of the Borrower
- b. name of the Borrower

In the case of multiple borrowers, apply the same rule, using the first borrower listed by the Loan Officer.

**21. What is SBA's Environmental Policy?**

SBA's Environmental Policy is in SOP 50-10(4), pg. 113-128, Subpart "A", Chapter 5, Paragraph 7. Lenders must be familiar with this policy. Basic environmental conditions are set forth in the Boilerplate. Lenders should consult with the local SBA office where the real property is located to ascertain any state or local requirements to be added to the authorization. Except for PLP loans, a lender must submit the results of the Environmental Investigation to the SBA. If it is not submitted to the processing office at the time of application, then it must be submitted to the SBA office identified in the authorization prior to disbursement. Except for PLP loans, a lender must not disburse a loan until SBA has reviewed the results of the investigation and is satisfied that the risk of potential environmental contamination has been sufficiently minimized. PLP lenders must comply with the environmental provisions of the SOP in

conducting the environmental investigation and reaching a conclusion that the risk of contamination is sufficiently minimized.

## **22. How does a lender or SBA loan officer add loan specific provisions to the Authorization?**

There is an OPEN OPTION for the processing office or lender to add loan specific requirements. It is expected that lender and SBA staff, including SBA counsel, will communicate closely in drafting these requirements. Any special conditions created by an SBA office must only be used one time before obtaining SBA approval of the language for use in other authorizations. For more information on how to use the Open Options with the CAPLines Wizard, refer to the CAPLines Wizard Help available from the CAPLines Wizard menu.

## **Loan Agreement and Borrower's Certification Sample documents (Appendix D of the National CAPLines Authorization Boilerplate version 1.5)**

This document is a copy of Appendix D of the National CAPLines Authorization Boilerplate version 1.5 in MS-Word format. It contains 2 sample documents provided to lenders under the conditions described below:

SBA does not require that a lender use a loan agreement. It is up to a lender to determine whether a loan agreement is needed for its lending practice. Paragraph C. of the Boilerplate states that it is a lender's sole responsibility to close the loan in accordance with the terms and conditions of the authorization, to obtain valid and enforceable loan documents, and to retain the documents.

SBA does not require a loan agreement but does require that the documents be enforceable and that the borrower makes certain certifications.

Lenders are provided with a sample form, **Borrower's Certifications**(2 pages), which is a compilation of the various certifications found in the Boilerplate and provides a space for the borrower to initial next to those certifications applicable to the particular loan. Lenders will need to retain an executed document containing these certifications, and may use this sample form as a basis for that document or for incorporating the required certifications into their loan agreement.

Lenders are also provided with a sample **Loan Agreement** form (1 page) which they may use. SBA is leaving the issue of whether a loan agreement is required, and what form it should take, up to the lender, but SBA does require that necessary borrower's certifications be made in writing.

# LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is made \_\_\_\_\_, \_\_\_\_\_ between the Borrower and Lender identified in the attached Authorization issued by the U.S. Small Business Administration ("SBA") to Lender, dated \_\_\_\_\_, \_\_\_\_\_, SBA Loan Number \_\_\_\_\_ ("Authorization").

SBA has authorized a guaranty of a loan from Lender to Borrower for the amount and under the terms stated in the attached Authorization (the "Loan").

In consideration of the promises in this Agreement and for other good and valuable consideration, Borrower and Lender agree as follows:

1. Subject to the terms and conditions of the Authorization and SBA's Participating Lender Rules as defined in the Guarantee Agreement between Lender and SBA, Lender agrees to make the Loan if Borrower complies with the following "Borrower Requirements". Borrower must:
  - a. Provide Lender with all certifications, documents or other information Lender is required by the Authorization to obtain from Borrower or any third party;
  - b. Execute a note and any other documents required by Lender; and
  - c. Do everything necessary for Lender to comply with the terms and conditions of the Authorization.
2. The terms and conditions of this Agreement:
  - a. Are binding on Borrower and Lender and their successors and assigns;and
  - b. Will remain in effect after the closing of the Loan.
3. Failure to abide by any of the Borrower Requirements will constitute an event of default under the note and other loan documents

Borrower: \_\_\_\_\_

Lender: \_\_\_\_\_



# BORROWER'S CERTIFICATION

**INSTRUCTIONS: INDICATE THE PARAGRAPHS BEING CERTIFIED TO BY HAVING THE BORROWER INITIAL IN THE [ \_\_\_\_\_ ] NEXT TO THE APPROPRIATE PARAGRAPHS, PRIOR TO SIGNING.**

In order to induce \_\_\_\_\_ ("Lender") to make a U. S. Small Business Administration ("SBA") guaranteed Loan, SBA Loan Number \_\_\_\_\_ ("Loan") to \_\_\_\_\_ ("Borrower"),

A. Borrower certifies that:

- [ \_\_\_\_\_ ] 1. **Receipt of Authorization**— Borrower has received a copy of the Authorization for this Loan and SBA Form 793, Notice to New SBA Borrower, from Lender, and acknowledges that:
- a. The Authorization is not a commitment by Lender to make a loan to Borrower;
  - b. The Authorization is between Lender and SBA and creates no third party rights or benefits to Borrower;
  - c. The Note will require Borrower to give Lender prior notice of intent to prepay.
  - d. If Borrower defaults on Loan, SBA may be required to pay Lender under the SBA guarantee. SBA may then seek recovery of these funds from Borrower. Under SBA regulations, 13 CFR Part 101, Borrower may not claim or assert against SBA any immunities or defenses available under local law to defeat, modify or otherwise limit Borrower's obligation to repay to SBA any funds advanced by Lender to Borrower.
  - e. Payments by SBA to Lender under SBA's guarantee will not apply to the Loan account of Borrower, or diminish the indebtedness of Borrower under the Note or the obligations of any personal guarantor of the Note.

- [ \_\_\_\_\_ ] 2. **Adverse Change** —That there has been no adverse change in Borrower's financial condition, organization, operations or fixed assets since the date the Loan application was signed.

- [ \_\_\_\_\_ ] 3. **Child Support** —No principal who owns at least 50% of the ownership or voting interest of the company is delinquent more than 60 days under the terms of any (1) administrative order, (2) court order, or (3) repayment agreement requiring payment of child support.

- [ \_\_\_\_\_ ] 4. **Current Taxes** —Borrower is current on all federal, state, and local taxes, including but not limited to income taxes, payroll taxes, real estate taxes, and sales taxes.

- [ \_\_\_\_\_ ] 5. **Environmental** —For real estate located at (address) \_\_\_\_\_

\_\_\_\_\_:

- a. At the time Borrower submitted the Loan application, Borrower was in compliance with all local, state, and federal environmental laws and regulations pertaining to environmental contamination;
- b. Borrower has and will continue to comply with these laws and regulations;
- c. Borrower has no knowledge of any environmental contamination of any real or personal property pledged as collateral for the Loan which violates any such laws and regulations, (other than what was disclosed in connection with the Environmental Investigation of the property);
- d. Borrower assumes full responsibility for all costs incurred in any clean-up of environmental contamination and agree to indemnify Lender and SBA against payment of any such costs (Lender or SBA may require Borrower to execute a separate indemnification agreement);

- e. Until full repayment of Loan, Borrower will promptly notify Lender and SBA if it knows, suspects or believes there may be any environmental contamination in or around the real property securing the Loan, or if Borrower or such property are subject to any investigation or enforcement action by any Governmental agency pertaining to any environmental contamination of the property.

B. Borrower certifies that they will:

[ \_\_\_\_\_ ] 1. **Reimbursable Expenses** —Reimburse Lender for expenses incurred in the making and administration of the Loan.

[ \_\_\_\_\_ ] 2. **Books, Records, and Reports** —

- a. Keep proper books of account in a manner satisfactory to Lender;
- b. Furnish [ *check one if appropriate: ~~is~~ compiled - ~~is~~ reviewed - ~~is~~ audited* ] year-end statements to Lender within \_\_\_\_\_ days [ *120 days, if not filled in* ] of fiscal year end;
- c. Furnish additional financial statements or reports whenever Lender requests them;
- d. Allow Lender or SBA, at Borrower's expense, to:
  - 1) Inspect and audit books, records and papers relating to Borrower's financial or business condition; and
  - 2) Inspect and appraise any of Borrower's assets; and
  - 3) Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower, upon request by Lender or SBA.
  - 4) Provide Lender with a monthly cash flow projection of all known operational activity on at least an annual basis for the term of the loan. See Page 32 of CAPLines Boilerplate
  - 5) Provide Lender with a monthly borrowing base certificate, in a form satisfactory to Lender, so that Lender may reconcile the borrowing base certificates at least monthly.
  - 6) Provide Lender with a monthly [ *OPTIONS-aging report of accounts receivable* ] [ *inventory schedule* ] [ *aging report of accounts receivable and inventory schedule* ], in a form satisfactory to Lender, so that Lender may determine the appropriate amount to advance.
  - 7) Provide Lender with a cash flow projection for each specific contract.

[ \_\_\_\_\_ ] 3. **Contract Performance Notices**— Notify Lender of any of the following:

- a. Modification of any contract provision that affects the amount due under the contract(s) or otherwise substantially affects the contract(s);
- b. Termination of all or part of any contract(s);
- c. Failure of either party to perform its contract obligations;
- d. Contracting Entity:
  - (i) Provides Borrower notice of default;
  - (ii) Rejects any contract deliverable; or
  - (iii) Provides Borrower notice of non-performance.

[ \_\_\_\_\_ ] 4. **Equal Opportunity** —Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public, and comply with the requirements of SBA Form 793, Notice to New SBA Borrowers.

[ \_\_\_\_\_ ] 5. **American-made Products** —To the extent practicable, purchase only American-made equipment and products with the proceeds of the Loan.

[ \_\_\_\_\_ ] 6. **Taxes** — Pay all federal, state, and local taxes, including income, payroll, real estate and sales taxes of the business when they come due.

C. Borrower certifies that it will not, without Lender's prior written consent:

[ \_\_\_\_\_ ] 1. **Distributions** —Make any distribution of company assets that will adversely affect the financial condition of Borrower.

- [ \_\_\_\_\_ ] 2. **Ownership Changes** —Change the ownership structure or interests in the business during the term of the Loan.
- [ \_\_\_\_\_ ] 3. **Transfer of Assets** —Sell, lease, pledge, encumber (except by purchase money liens on property acquired after the date of the Note), or otherwise dispose of any of Borrower's property or assets, except in the ordinary course of business.
- [ \_\_\_\_\_ ] 4. **Fixed Asset Limitation** —Acquire by purchase or lease agreement any fixed assets  
(totaling more than \$\_\_\_\_\_ in any year).
- [ \_\_\_\_\_ ] 5. **Location Limitation** —Acquire by purchase or by lease, any additional locations.
- [ \_\_\_\_\_ ] 6. **Limitation on Compensation** —Allow total annual salaries, withdrawals or other forms of remuneration to officers or owners of Borrower or their immediate  
family members, to exceed \$\_\_\_\_\_.
- [ \_\_\_\_\_ ] 7. \_\_\_\_\_  
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\_\_\_\_\_  
(Borrower)

\_\_\_\_\_  
Date

By: \_\_\_\_\_